

MUTUAL SECURITY ACT OF 1955

REPORT

OF THE

COMMITTEE ON FOREIGN AFFAIRS

ON

S. 2090

TO AMEND THE MUTUAL SECURITY ACT OF 1954,
AND FOR OTHER PURPOSES



JUNE 24, 1955.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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MUTUAL SECURITY ACT OF 1955

JUNE 24, 1955.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. RICHARDS, from the Committee on Foreign Affairs, submitted the following

R E P O R T

[To accompany S. 2090]

The Committee on Foreign Affairs, to whom was referred the bill (S. 2090) to amend the Mutual Security Act of 1954, and for other purposes, having considered the same, report favorably thereon with amendments and recommends that the bill as amended do pass.

The amendments are as follows:

Page 2, line 2, strike out "\$1,278,000,000" and insert "\$1,133,000,000".

Page 2, after line 3, insert:

(b) In section 103 (b), after the word "chapter", insert "and of section 124".

Page 2, line 4, strike out "(b)" and insert "(c)".

Page 2, line 12, strike out "(c)" and insert "(d)".

Page 2, line 24, strike out "(d)" and insert "(e)".

Page 3, line 3, strike out "(e)" and insert "(f)".

Page 3, line 7, strike out "(f)" and insert "(g)".

Page 3, beginning on line 11, strike out "by adding, after section 123, the following new section:" and insert:

as follows:

(a) In section 121, which relates to southeast Asia and the western Pacific, strike out the fourth word of the third sentence, "section", and insert "title".

(b) Add after section 123 the following new section:

Page 4, line 6, strike out "\$70,000,000" and insert "\$92,000,000".

Page 4, line 7, before the semicolon insert:

not less than \$50,000,000 of the funds made available under the authority of this subsection shall be used for assistance to Spain in accordance with the provisions of this section.

Page 4, line 9, before the semicolon insert:

: *Provided*, That the amount made available for Greece for fiscal year 1956 shall not be less than that made available for such country for fiscal year 1955

Page 5, line 7, after "follows:", insert:

After "SEC. 142. AGREEMENTS.—" insert "(a)";

Page 5, line 8, strike out "subsection" and insert "paragraph".
 Page 5, line 9, after the semicolon insert "and".
 Page 5, line 10, strike out "subsection" and "paragraph" and insert "paragraph" and "subparagraph", respectively.
 Page 5, line 11, after the colon insert:

and in lieu of all of that part of the present paragraph (11) which precedes subparagraph (i) thereof, insert the following:

Page 5, line 12, strike out "(11)" and insert "(b)".
 Beginning on page 7, strike out line 25, and lines 1 to 3, inclusive, on page 8, and insert:

(b) In section 402, which relates to the sale of surplus agricultural commodities, strike out "\$350,000,000" and insert in lieu thereof "\$600,000,000".

Page 8, strike out lines 16 to 20, inclusive.
 Page 8, line 21, strike out "(3)" and insert "(2)".
 Page 9, line 1, strike out "(4)" and insert "(3)".
 Beginning on page 9, strike out lines 21 and 22, and lines 1 and 2 on page 10.

Page 10, line 3, strike out "(h)" and insert "(g)".
 Page 10, line 21, strike out "(i)" and insert "(h)".
 Page 10, line 23, strike out "1,300,000" and insert "\$1,300,000".
 Page 11, line 1, strike out "(j)" and insert "(i)".
 Page 11, line 10, after "title", strike out the arabic numeral "1" and insert a roman numeral "I".

Page 12, line 1, strike out "(k)" and "section" and insert "(j)" and "sections", respectively.

Page 13, line 6, insert "friendly" before "foreign government".

Page 13, line 7, insert "friendly" before "governments".

Page 13, line 18, strike out the quotation mark.

Page 13, after line 18, insert:

"SEC. 419. WORLD HEALTH ORGANIZATION.—Section 3 (a) of Public Law 643, Eightieth Congress, approved June 14, 1948, as amended, is hereby amended to read as follows:

"(a) such sums as may be necessary for the payment by the United States of its share of the expenses of the Organization as apportioned by the Health Assembly in accordance with article 56 of the constitution of the Organization, except that payments by the United States for any fiscal year of the Organization after 1958 shall not exceed 33½ per centum of the total assessments of active members of the Organization for such fiscal year; and".

"SEC. 420. JOINT COMMISSION ON RURAL DEVELOPMENT.—(a) The Secretary of State, after consultation with the Director, is hereby authorized to conclude an agreement with the Republic of the Philippines establishing a Joint Commission on Rural Development in the Philippines, to be composed of two citizens of the United States appointed by the President of the United States and three citizens of the Philippines appointed by the President of the Republic of the Philippines. Such Commission shall formulate and carry out a program for development of the rural areas of the Philippines, which shall include such research and training activities as may be necessary or appropriate for such development: *Provided*, That assistance furnished under this section shall not be construed as an express or implied assumption by the United States of any responsibility for making any further contributions to carry out the purposes of this section.

"(b) Insofar as practicable, an amount equal to not more than 10 per centum of the funds programed in any fiscal year for the Republic of the Philippines under title I, chapter 3, and title III of this Act shall be used to carry out the purposes of subsection (a) of this section."

Page 13, strike out lines 22 to 25, inclusive.
 Page 14, line 1, strike out "(b)" and insert "(a)".
 Page 14, line 8, strike out "(c)" and insert "(b)".
 Page 14, line 10, strike out "(d)" and insert "(c)".

Page 14, strike out lines 21 and 22 and insert:

(d) In section 509, which relates to shipping on United States vessels, insert "(except surplus agricultural commodities)" after "commodities", and add the following sentence at the end thereof:

Page 16, beginning on line 16, strike out "by adding after section 547, the following new sections:" and insert:

as follows:

(a) At the end of section 544, which relates to amendments to other laws, add the following new subsections:

"(c) The first sentence of section 2 of the Act of June 27, 1942, entitled 'An Act to exempt from duty personal and household effects brought into the United States under Government orders', as amended (U. S. C., title 50 App., sec. 802), is hereby further amended by striking out '1955' and inserting in lieu thereof '1956'."

"(d) Public Law 480, Eighty-third Congress (68 Stat. 454), is hereby amended by adding after section 305 the following new section:

"Sec. 306. In order to carry out more effectively the policies and purposes of this Act, the President may exercise the authority provided herein without regard to the provisions of section 901 (b) of the Merchant Marine Act of 1936, as amended, or any other law relating to the ocean transportation of commodities, materials, and equipment on United States-flag vessels."

(b) After section 547 add the following new sections:

Page 17, line 10, after "549.", insert "(a)".

Page 18, line 1, after "United States", insert "to a greater extent".

Page 18, line 3, strike out the quotation mark.

Page 18, after line 3, insert:

"(b) It is the sense of the Congress that assistance under this Act shall be administered so as to assist other peoples in their efforts to achieve self-government or independence under circumstances which will enable them to assume an equal station among the free nations of the world."

Sec. 12. It is hereby declared to be the continuing sense of the Congress that the Communist regime in China has not demonstrated its willingness to fulfill the obligations contained in the Charter of the United Nations and should not be recognized to represent China in the United Nations.

INTRODUCTION

PURPOSE OF THE BILL

The bill authorizes the funds necessary for carrying forward the mutual security program along the lines established in last year's comprehensive legislation (Public Law 665, 83d Cong.)

All aspects of the program were scrutinized by the committee during its consideration of the bill, and certain phases of our aid efforts were completely reexamined because important developments during the past year have raised questions as to their effectiveness.

This year, for the first time since the beginning of the foreign assistance program, the committee did not feel it necessary to re-evaluate the fundamental premises on which the mutual security program is based, or to question whether after a careful balancing of the risks and advantages it was worthwhile to authorize the continuation of the program. There is today evidence on every continent that the mutual security program has begun to give us important foreign policy advantages. The reaction of the free peoples of the Far East to the blandishments of communism at Bandung; the final joining together of the United Kingdom, France, Germany, Italy, Belgium, Luxembourg, and the Netherlands for defense in the Western European Union; the determined elimination of communism by Guatemala with the united support of the other American Republics, as well as the apparent reorientation of Soviet diplomacy, can all be

cited as indications that the course on which the United States has embarked should not be abandoned.

The evidence that the mutual security program has begun to show a return on our enormous investment in it makes it particularly important that its full effectiveness should be maintained. The danger to the free world from Communist aggression remains. Our allies, who for the first time in long years of gloom and tension may feel an inclination to relax, need the assurance of our continued backing. The peoples of the newer nations and the underdeveloped areas of the world need tangible encouragement to avoid the dangers of Soviet imperialism.

The committee recognizes the importance of curtailing United States expenditures in every way possible. It believes that there can be no practical alternative today but to implement this program.

The following table shows the executive request for the Mutual Security Act for fiscal year 1956, the amounts authorized by the Senate, and the amounts recommended by the committee. Title, chapter, and section references are to those contained in the Mutual Security Act of 1954.

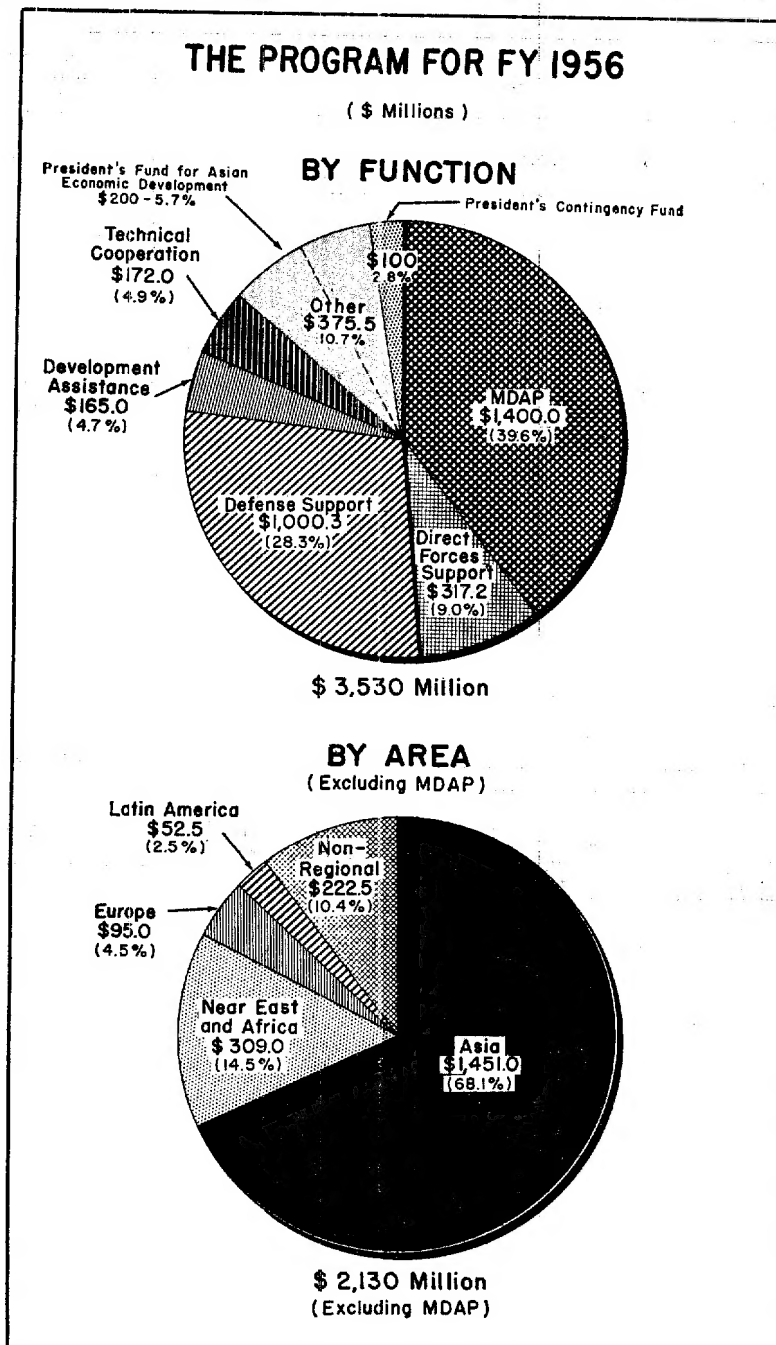
Category	Executive request	Senate, S. 2090	Committee on Foreign Affairs recommendation	Differences between Senate bill and committee recommendations
Title I. Mutual defense assistance:				
Ch. 1. Military assistance (sec. 103)	\$1,278,000,000	\$1,278,000,000	\$1,133,000,000	-\$145,000,000
Ch. 2. Direct forces support (sec. 124)	317,200,000	317,200,000	317,200,000	
Ch. 3. Defense support (sec. 131):				
Europe	70,000,000	70,000,000	92,000,000	+22,000,000
Near East and Africa	102,500,000	102,500,000	102,500,000	
Asia	827,800,000	827,800,000	827,800,000	
Total, title I	2,595,500,000	2,595,500,000	2,472,500,000	-123,000,000
Title II. Development assistance:				
Near East and Africa	73,000,000	73,000,000	73,000,000	
Asia	71,000,000	71,000,000	71,000,000	
Latin America	21,000,000	38,000,000	38,000,000	
Total, title II	165,000,000	182,000,000	182,000,000	
Title III. Technical cooperation:				
Sec. 304. Bilateral	146,500,000	146,500,000	146,500,000	
Sec. 306. Multilateral:				
(a) United Nations technical assistance	24,000,000	24,000,000	24,000,000	
(b) Organization of American States	1,500,000	1,500,000	1,500,000	
Total, title III	172,000,000	172,000,000	172,000,000	
Title IV. Other programs:				
Sec. 401 (b). Special fund	100,000,000	100,000,000	100,000,000	
Sec. 403. Joint control areas	21,000,000	21,000,000	21,000,000	
Sec. 405:				
(a) Movement of migrants	12,500,000	12,500,000		-12,500,000
(c) United Nations Refugee Fund	1,400,000	1,400,000	1,400,000	
(d) Selected escapees	6,000,000	6,000,000	6,000,000	
Sec. 406. Children's welfare	14,500,000	14,500,000	14,500,000	
Sec. 407. Palestine refugees	65,000,000	65,000,000	65,000,000	
Sec. 408. North Atlantic Treaty Organization	3,700,000	3,700,000		-3,700,000
Sec. 409. Ocean freight charges:				
(c) Voluntary packages	2,000,000	2,000,000	2,000,000	
(d) Surplus agricultural commodities	13,000,000	13,000,000	13,000,000	
Sec. 410. Control Act expenses	1,175,000	1,175,000	1,175,000	
Sec. 411. Administrative and other expenses	35,225,000	35,225,000	35,225,000	
Sec. 418. Asian Development Fund	200,000,000	200,000,000	200,000,000	
Total, title IV	475,500,000	475,500,000	459,300,000	-16,200,000
Total	3,408,000,000	3,425,000,000	3,285,800,000	-139,200,000

The following table compares the appropriations for fiscal year 1955 with the sums recommended by the committee for fiscal year 1956.

Category	Fiscal year 1955 approp- riation	Recommended for fiscal year 1956
Title I. Mutual defense assistance:		
Ch. 1. Military assistance (sec. 103).....	\$1,192,700,000	\$1,133,000,000
Ch. 2. Direct forces support.....	795,000,000	317,200,000
Ch. 3. Defense support.....	406,098,195	1,022,300,000
Total, title I.....	2,393,798,195	2,472,500,000
Title II. Development assistance:		
Near East and Africa.....	115,000,000	73,000,000
Asia.....	60,500,000	71,000,000
Latin America.....	9,000,000	38,000,000
Total, title II.....	184,500,000	182,000,000
Title III. Technical cooperation:		
Sec. 304. Bilateral.....	105,000,000	146,500,000
Sec. 306. Multilateral:		
(a) United Nations technical assistance.....	9,957,621	24,000,000
(b) Organization of American States.....	1,500,000	1,500,000
Total, title III.....	116,457,621	172,000,000
Title IV. Other programs:		
Sec. 401. Special Fund.....		100,000,000
Sec. 403. Joint control areas.....	25,000,000	21,000,000
Sec. 405:		
(a) Movement of migrants.....	10,000,000	1,400,000
(c) United Nations Refugee Fund.....		6,000,000
(d) Selected escapees.....	12,500,000	14,500,000
Sec. 406. Children's welfare.....		65,000,000
Sec. 407. Palestine refugees.....	1,169,000	
Sec. 408. North Atlantic Treaty Organization.....	4,400,000	15,000,000
Sec. 409. Ocean freight.....	1,175,000	1,175,000
Sec. 410. Control Act expenses.....	32,500,000	35,225,000
Sec. 411. Administrative expenses.....		200,000,000
Sec. 418. Asiatic Development Fund.....		
Total, title IV.....	86,744,000	459,300,000
Grand total.....	2,781,499,816	3,285,800,000

In addition to the \$2,781,499,816 appropriated last year, the Congress also appropriated a carryover of \$2,462,075,979, a total appropriation of \$5,243,575,795 for fiscal year 1955.

Chart shows program as submitted by executive branch—not funds authorized in bill as reported.



Distribution of fiscal year 1956 program by region, country, title, and function
[In millions of dollars]

Region and country	Title I, military assistance				Title II, develop- ment as- sistance	Title III, technical coopera- tion	Title IV, other pro- grams	Total
	Chapter 1, military assistance	Chapter 2, Southeast Asia, the Western Pacific, and direct forces support	Chapter 3, defense support	Title I, total				
Total, all programs	1,133.0	317.2	1,022.3	2,472.5	182.0	172.0	459.3	3,285.8
Military assistance	1,133.0			1,133.0				1,133.0
Programs other than military assistance, total		317.2	1,022.3	1,339.5	182.0	172.0	459.3	2,152.8
Europe, total		4.0	92.0	96.0			21.0	117.0
Spain								
Yugoslavia			50.0	50.0				50.0
Joint control area		4.0	36.5	40.5				40.5
Western Europe technical exchange			5.5	5.5			21.0	21.0
Near East and Africa, total		27.5	102.5	130.0	73.0	41.0	65.0	309.0
Egypt						4.0		4.0
Ethiopia						3.4		3.4
Greece						1.5		1.5
Iran			115.0	115.0		10.0		16.5
Iraq		7.5	37.5	45.0		2.3		55.0
Israel						2.0		2.3
Jordan						2.8		2.0
Lebanon						2.5		2.8
Liberia						1.8		2.5
Libya						2.0		1.8
Turkey		20.0	50.0	70.0		2.0		2.0
Overseas territories						2.5		2.0
Regional						4.0		72.5
Palestine refugees in the Near East						2.2		4.0
Undistributed by country					73.0		65.0	2.2
								65.0
								73.0

¹ This is the figure submitted by the executive branch. The committee increased it to an amount not less than that made available in fiscal year 1955 which was \$26,200,000. This additional sum will be taken from other programs. It does not increase the total amount in the bill.

MUTUAL SECURITY ACT OF 1955

Distribution of fiscal year 1956 program by region, country, title, and function—Continued
[In millions of dollars]

Region and country	Title I, military assistance				Title II, development assistance	Title III, technical cooperation	Title IV, other programs	Total
	Chapter 1, military assistance	Chapter 2, Southeast Asia, the Pacific, and direct support	Chapter 3, defense support	Title I, total				
Asia, total		285.7	827.8	1,113.5	71.0	66.5	200.0	1,451.0
South Asia countries, subtotal		20.0	63.0	83.0	71.0	27.0		1,181.0
Afghanistan								2.0
India					70.0	15.0		85.0
Pakistan		20.0	63.0	83.0	1.0	9.9		92.0
Nepal						1.0		2.0
Far East countries, subtotal		265.7	764.8	1,030.5		39.5		1,070.0
China (Formosa)		37.0	62.0	99.0		3.0		102.0
Indonesia						8.0		8.0
Japan						1.0		1.0
Korea		180.0	272.0	452.0		8.0		460.0
Philippines		2.3	19.7	22.0		6.5		28.5
Thailand		8.2	31.8	40.0		5.5		45.5
Cambodia, Laos, Vietnam		38.2	379.3	417.5		7.5		425.0
President's fund for Asian economic development							200.0	200.0
Latin America, total					38.0	31.5		69.5
Bolivia								22.5
Brazil					20.0	2.5		22.5
Chile						2.4		2.4
Colombia						1.5		1.5
Costa Rica						1.0		1.0
Cuba						.6		.6
Dominican Republic						.4		.4
Ecuador						1.6		1.6
El Salvador					15.0	1.0		16.0
Guatemala					3.0	1.5		4.5
Haiti						1.1		1.1
Honduras						1.1		1.1
Mexico						1.8		1.8

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PROVISIONS OF THE BILL

SECTION 2—MILITARY ASSISTANCE

Subsection (a)—Authorization for military assistance

The authorization for military assistance in the bill is \$1,133 million. This is a reduction of \$59.7 million from last year's appropriation of \$1,192,700,000. The figure generally publicized as the amount of the Executive request for authorization of military assistance for fiscal 1956 has been \$1,400 million. This figure, however, includes \$122 million for infrastructure which was authorized last year (Public Law 665, 83d Cong., sec. 104). The actual Executive request for military assistance funds considered by the committee was \$1,278 million. This was cut \$145 million by the committee.

The program for military assistance was presented to the committee on a different basis than has been the case in previous years. In prior years, detailed tentative programs on a country-by-country and item-by-item basis have been submitted in support of the Department of Defense request for new funds. The presentation of detailed tentative materiel programs on an item-by-item basis for each country has proved to be unrealistic because changes in the international situation involving new and different military requirements and transfers of military assistance funds within the MDAP as well as to other mutual security programs have required major revisions of end-item programs. Since the detailed tentative programs presented in the past have undergone considerable change during the course of actual implementation, and since the Department of Defense international security plan has not, as yet, been developed to the point where it can provide the necessary guidance, an interim, yet realistic approach has been adopted which provides for a program for fiscal year 1956 covering only the most necessary funds to continue our foreign alliance expenses and commitments.

The following table summarizes the use of the military assistance funds for fiscal year 1956 as submitted to the committee:

*Department of Defense mutual defense assistance program, fiscal year 1956 estimates
(in millions of dollars)*

<i>Category</i>	<i>Value</i>
I. Administrative expenses-----	\$24.0
II. Protection of the investment:	
Maintenance and spare parts-----	274.2
Training-----	90.1
Packing, crating, handling, and transportation-----	144.0
III. Commitments:	
Support of international military headquarters-----	5.5
Infrastructure-----	122.0
Military assistance commitments-----	524.8
IV. Projects for improvement:	
Mutual weapons development-----	50.0
Facilities assistance-----	20.0
V. Balance of fiscal year 1956 for requirements exceeding \$1.5 billion-----	145.4
Total-----	1,400.0

The amount for infrastructure, \$122 million, has already been authorized (but not appropriated). The committee in reducing the authorization by \$145 million intended that the last item in the table, which was presented as being essentially a reserve for contingencies, should be eliminated.

The largest item in the table, \$524,800,000, is for military assistance funds needed to carry out commitments made to specific nations in connection with commitments by such nations to raise a specified number of troops, to permit us to build bases and similar military undertakings.

It should be emphasized that the actual deliveries of military end items to other nations during fiscal 1956 will be financed primarily with funds already available from previous appropriations. A better indication of the amount and distribution of United States military assistance to various parts of the world can be derived from examining the following tabulation showing the portions of programs already financed which have not yet been accomplished than can be obtained from studying the authorization for new funds contained in the bill.

Military assistance programs already financed remaining to be accomplished as of Jan. 31, 1955

Europe.....	\$5, 246, 327, 000
Near East and South Asia.....	730, 037, 000
Far East and Pacific.....	1, 260, 984, 000
Latin America.....	56, 009, 000

Total financed but not accomplished..... 17, 779, 830, 000

¹ This total is larger than the sum of the area figures listed since it includes certain nonregional programs.

The committee is convinced that this very large program for providing military assistance to our allies should go forward. Any action which might interrupt the flow of equipment on the way, or which might encourage other nations to relax their efforts would be disastrous. As the following statement by Gen. Alfred M. Gruenther, Supreme Allied Commander, Europe, indicates, too much has already been accomplished to consider any reduction of our basic objectives. General Gruenther said (p. 169 of hearings):

The NATO nations have created in Western Europe an important defensive capability. We have a twofold mission. We must, of course, use our military strength to defeat the enemy as quickly and as effectively as we can; we must, however, at the same time, prevent the overrunning of NATO territory.

I would like to make it quite clear that these two objectives, these two missions, are not identical. They may impose different demands on different forces. We do not have today the same degree of capability to do both jobs. It must be recognized, however, that both of these objectives are of prime importance. Obviously our military strength, once committed to war, must seek the defeat of the enemy. That objective requires little explanation or discussion. Our other objective, defending and holding territory, has a particular importance to those partners of ours who are closer to the Soviet military might.

The United States has never experienced an invasion, an occupation, and then a liberation. We have partners, however, who have experienced all three and have experienced them recently. No one of those nations looks forward to repeating those experiences. The NATO alliance therefore makes provision for the strongest possible efforts to defend the territory of its members.

Of course, the important question is: "How well are we prepared to accomplish these two objectives?" The answer with respect to the first one, viz: "Could we defeat the enemy if unfortunately an attack should come now?" is "Yes." This is primarily because of our long-range air capability. In this stage of technological development, offensive airpower has a big advantage over the defensive. This fact, plus our powerful long-range Air Force, enables us to say that the enemy would be defeated today. This is of fundamental importance to the entire NATO alliance. It is a capability which we must maintain and develop in order that it may retain its vital strength. For myself, I am satisfied that our long-range airpower is better and more effective than the comparable Soviet military organization. I believe that the edge which we have now will remain with us

for some time into the future if we determine that it should be that way. I would not like to predict how long this will be true; all predictions of this sort are dangerous for very evident reasons. In this case there is a particular danger because, obviously, the Soviets will bend their best efforts to counteract this key military capability of ours. However, regardless of predictions and recognizing what is reasonable and probably within Soviet capability, the important thing appears to me to be that we recognize that it is vital that we keep the lead we have and that we act upon that recognition. I believe that we can do it; I believe that we will.

Aid to Yugoslavia

The committee gave special consideration to the situation in Yugoslavia and explored carefully the question of continuing assistance to that country. The committee reached the conclusion that no specific limitations should be imposed on the supplying of aid to that country. Testimony disclosed, however, that the Yugoslav Government has not been fully cooperative in carrying out the requirement of the Mutual Security Act that United States representatives be permitted "continuous observation and review" of the use made of equipment supplied by the United States.

The provisions of the law are clear in this respect and the committee believes that United States officials responsible for the administration of the mutual assistance program have not been sufficiently insistent that the Government of Yugoslavia live up to the terms of its agreements. The committee has refrained from including in the bill legislative restrictions on further assistance to Yugoslavia only because it is confident that henceforth the letter and the spirit of the law will be carefully observed.

Subsection (b)—Administrative expenses—Direct forces support

Through inadvertence, this change was omitted from the bill originally proposed by the executive branch. The change is necessary to permit the Department of Defense to pay administrative and operating expenses of carrying out the fiscal year 1956 program of direct forces support authorized by the proposed new section 124 of the act. It is expected that this function will be assigned to the Secretary of Defense in the forthcoming Executive order of the President implementing the fiscal year 1956 mutual-security program. Section 8 (j) (2) of the bill as passed by the Senate, which authorizes the appropriation of administrative funds for nonmilitary programs, does not permit those funds to be used for section 124 programs. Therefore, section 103 (b), relating to administration of military assistance programs, should be amended to make funds available for this purpose.

Subsection (c)—Offshore procurement

This section repeals section 103 (c) of the Mutual Security Act of 1954. That section provides that the military assistance funds may be used to procure equipment or materials outside the United States unless the President determines that one or more of four conditions will result from such purchases: (1) adverse effects upon the economy of the United States; (2) inadequate safeguards against sabotage; (3) unjustifiable cost in comparison with procurement in the United States; and (4) delays in delivery incompatible with United States defense objectives.

In testimony before the committee Hon. H. Struve Hensel, Assistant Secretary for International Security Affairs, Department of Defense, expressed the underlying philosophy in these words;

I believe the primary purpose of offshore procurement is to build up in Europe an industrial base that will sustain the military forces that we are building there, and that our ultimate objective is to get out of the offshore procurement business and get the other countries in, and that we place orders in the beginning--and I am thinking particularly of the countries that we hope economically will later be able to support themselves [security deletion] or something like that--on the thought that we are getting them over their starting-up costs; over those extra costs before they get a finished production line.

Therefore, I would be much more interested in the country that came to me and said, "Well, now, we cannot pick this up entirely, this year, but if you will place an order for X we will place an order for half X this year and next year we will take the one and a half X off your hands next year." This appeals to me and I think we should have more freedom to approach offshore procurement on that basis (hearings, p. 233).

The application of the criteria in section 103 (c) has slowed up the offshore procurement program. The repeal of that section should help put our allies in a position where they can provide more of their military equipment instead of receiving it as a gift. The committee is confident that in seeking this objective the President will administer the offshore procurement program in a manner that will take account of the criteria expressed in section 103 and, at the same time, provide him the flexibility that he should have if the program is to move forward.

The repeal of section 103 (c) covers only procurement from military assistance funds. It does not affect section 510 of the Mutual Security Act of 1954, relating to use of defense support and development assistance funds for offshore procurement.

Credit terms for military assistance.—This section substitutes a new subsection 103 (c) in place of the present section 103 (c). The proposed new subsection 103 (c) deals with a kind of transaction different on the one hand from the sale of military equipment and materials under section 106 of the act (commonly referred to as reimbursable military aid) and different on the other hand from the furnishing of military aid by grant or on a long-term loan basis. Under section 106 of the existing act there is authority to sell military equipment and materials. Such sales may be made for dollars on credit periods up to 3 years and credit sales are financed under the act by regular Army, Navy, or Air Force appropriations rather than military assistance appropriations. (Payment from the foreign country goes back to the Military Department appropriation.) Section 106 provides that sales may be made without regard to the requirements of section 105 of the act (conditions applicable to military assistance) and sections 141 and 142 of the act (conditions of eligibility for assistance).

On the other hand, section 102 of the act authorizes the furnishing of military assistance on terms of repayment (including repayment in local currency or raw materials) if the provisions of sections 105, 141, and 142 are adhered to. If the authority of section 102 is used, military assistance appropriations are used to reimburse the military departments for the equipment which is furnished, and there is no limit on the time period within which repayment must be made. Payment from the foreign country goes to the United States Treasury.

The proposed new subsection 103 (c) of the act authorizes something in between these other two programs. Under the authority of the new subsection, in those cases in which a country is willing to repay the United States within 10 years for military assistance furnished, it will be possible to make such assistance available without regard to the requirements of sections 105, 141, and 142. Military assistance appropriations will be used to finance such credits.

Subsection (d)—Western European Union

The present law provides that after the delivery to countries which have signed the European Defense Community of equipment and materials of the value programed for those countries through fiscal year 1953, no further deliveries may be made to any such country which has not ratified the treaty. Since the enactment of the existing provision on this matter, the EDC proposal has been replaced by the alternative arrangements of the Western European Union and the admission of Germany into NATO. Since the purposes of the present provision of the law have been largely brought about through these alternative arrangements, the reference to EDC is deleted and replaced by a statement of policy, derived from section 2 (b) of the Mutual Security Act of 1951, that the act should be so administered as to support concrete measures to promote greater political federation, military integration, and economic unification in Europe.

Subsections (e) and (f)—Area designations

These sections amend the names of two of the geographic areas referred to in section 105 of the act (relating to conditions applicable to military assistance) to conform to the uniform regional designations used in the description of the fiscal year 1956 mutual security program. In the military program the change reflects the shift of Pakistan for programing purposes from the area formerly designated as "Near East, Africa, and South Asia" to the area formerly designated as "Far East and the Pacific." The new area designations are "Near East and Africa" and "Asia", respectively.

Subsection (g)—Transfer of military equipment to Japan

This section amends section 108 of the act (relating to the transfer of a special program of military assistance to Japan) by extending for 1 year the time within which the special military assistance program must be completed. There would be no change in the character of the program, which consists of the delivery of specialized items of military equipment and materials for which regular Department of Defense appropriations were obligated prior to July 1, 1953. Less than 3 percent of the original program remains undelivered. Delays in delivery have been due to diversion of equipment to Formosa, delayed release of United States equipment from Korea and delays in production in Japan. Funds from current appropriations of the military departments are being used to pay current costs incident to the delivery of this list of items. The section as amended will continue the prohibition against the use of appropriations for military assistance in connection with deliveries under this special program.

SECTION 3--DIRECT FORCES SUPPORT

This section authorizes \$317,200,000 for direct forces support. The planned distribution of these funds to individual countries is shown in the following tabulation:

<i>Direct forces support</i>	
Europe (1.26 percent): Yugoslavia	\$4, 000, 000
Near East and Africa (8.67 percent):	
Iran	7, 500, 000
Turkey	20, 000, 000
Total	27, 500, 000
Asia (90 percent):	
Pakistan	20, 000, 000
China (Formosa)	37, 000, 000
Korea	180, 000, 000
Philippines	2, 300, 000
Thailand	8, 200, 000
Cambodia, Laos, Vietnam	38, 200, 000
Total	285, 700, 000
Total, direct forces support.	317, 200, 000

The type of program represented by this authorization of \$317,200,000 was carried out in fiscal year 1955 by the FOA. In line with Executive Order 10610, issued on May 9, 1955, it is expected that, as a part of the fiscal year 1956 Executive order on the administration of the mutual security program, the President will direct the Department of Defense to administer the direct-forces-support program in fiscal year 1956. The items and services in the fiscal year 1956 program are such that they will be delivered or rendered directly to the military forces of the nations eligible for military assistance under chapter I of title I of the act. They include such things as jet fuel, gasoline, tractors, runway-paving equipment, and emergency rations.

The new section provides that the President may, notwithstanding the provisions of section 501 (which authorizes transfers), consolidate all or any part of appropriations made pursuant to this section with the appropriations made pursuant to section 103 of the act (military assistance). If the President decides to make such a consolidation, and if he so elects, the consolidated appropriation will be available for programs of a type prepared by the Department of Defense for fiscal year 1956 under the heading of "Military assistance" or for programs like those represented by the \$317,200,000 request. Whether or not such consolidation of appropriations takes place, the new section 124 provides that programs authorized by it may be administered in accordance with the provisions of chapter 1 of title I, relating to military assistance, or chapter 3 of title I, relating to defense support. Thus, in carrying out the program in Korea the President may take advantage, if necessary, of the authority provided by section 132 (d) to furnish assistance without regard to the other provision of title I of the act.

SECTION 4—DEFENSE SUPPORT

This section authorizes defense support in the following amounts:

Europe (excluding Greece and Turkey).....	\$92, 000, 000
Near East (including Greece and Turkey).....	102, 500, 000
Asia.....	827, 800, 000
Total.....	1, 022, 300, 000

This represents an increase of \$22 million (for Europe) over the amount recommended by the executive branch. The planned distribution of these funds among areas and countries as originally recommended by the Executive is indicated in the following table:

Defense support (as recommended by the Executive)

Europe (except Greece and Turkey) (7 percent):	
Spain.....	\$28, 000, 000
Yugoslavia.....	36, 500, 000
Western European technical exchange.....	5, 500, 000
Total.....	70, 000, 000
Near East (including Greece and Turkey) and Africa (10.3 percent):	
Greece.....	\$15, 000, 000
Iran.....	37, 500, 000
Turkey.....	50, 000, 000
Total.....	102, 500, 000
Asia (82.7 percent):	
Pakistan.....	63, 000, 000
China (Formosa).....	62, 000, 000
Korea.....	272, 000, 000
Philippines.....	19, 700, 000
Thailand.....	31, 800, 000
Cambodia, Laos, and Vietnam.....	379, 300, 000
Total.....	827, 800, 000
Total, defense support.....	1, 000, 300, 000

The committee increased this sum to \$50 million. See explanation below.

The committee increased this sum to an amount not less than that made available in fiscal year 1955 which was \$26,200,000. This additional sum will be taken from other programs. See explanation below.

The term "defense support" is applied to economic assistance supplied to nations which are carrying out a defense program in order to increase the defense burden which such nations can carry.

Experience with the military assistance program has demonstrated that expenditures of this nature which do not go directly to equip and maintain armed forces, nevertheless result in increasing the magnitude of the defense forces and facilities of other nations.

The bill requires that not less than \$50 million of the funds authorized under this section for Europe shall be used to give defense support to Spain. This requirement together with the increase in funds authorized is regarded as desirable to facilitate the Spanish defense effort and particularly the construction of United States military bases in that highly strategic area.

The committee amended the proposed new subsection (c), paragraph (2) by providing that there shall be made available to Greece for fiscal year 1956 the same amount of defense support made available to that country for fiscal year 1955. In fiscal year 1955, exclud-

ing certain other assistance, \$26,200,000 of defense support was made available. It is the intent of the committee that no less than \$26,200,000 of defense support assistance shall be made available to Greece for fiscal year 1956. This amount should enable Greece, by bolstering her economy, to maintain her army at a level commensurate with NATO force goals.

Marine insurance

This provision adds a new subsection which provides that dollars shall be made available for marine insurance on commodities procured in the United States for the mutual security program where such insurance is placed on a competitive basis or, in the event a foreign country discriminates in any way against American insurance companies, then such marine insurance on shipments of commodities shall be placed exclusively with United States marine insurance companies.

Under present FOA regulations—

dollar payments of premiums of ocean marine insurance * * * on FOA-financed commodities procured in the United States will be eligible for financing by FOA * * *

at the request of the cooperating country.

Testimony before the committee developed the fact that since World War II some 17 countries have enacted restrictive insurance laws or regulations which have had the effect of giving to the insurance markets of those countries a virtual monopoly of the marine insurance on shipments to and from those countries. Under normal competitive conditions of international competition for the insurance on shipments, the seller and buyer of the goods usually come to a mutually satisfactory agreement for the placing of the insurance. However, the source of the difficulty on FOA shipments is the insistence by FOA that it will not make dollars available for insurance coverage unless requested to do so by the government of the participating country. Under FOA regulations all that the foreign government must do is neglect or refuse to request dollars for insurance and both seller and buyer are effectively prevented from using the American market even when they prefer to do so.

Consideration has been given to the problem of discrimination in regard to marine insurance by the United Nations.

The committee believes that this provision will prevent such discrimination in the future.

SECTION 5—DEPOSIT OF LOCAL CURRENCY

This section extends to development assistance the requirement for the deposit of local currency, when commodities are supplied on a grant basis and are then sold. Previously such deposits had been required only in the case of direct forces support and defense support.

The amendment also makes clear that it is necessary to obtain agreement on local currency deposit procedures only where assistance to be furnished will actually result in the accrual of such local currencies.

Although the deposit of local currency is required only in the cases cited above, the committee expects that local currency deposits will be required whenever commodities supplied under other provisions of the act are sold unless special circumstances make such action inadvisable.

SECTION 6—DEVELOPMENT ASSISTANCE

Funds authorized for development assistance total \$182 million, divided as follows:

Near East and Africa (40.1 percent): Undistributed by country	\$73, 000, 000
Asia (39 percent):	
India	70, 000, 000
Nepal	1, 000, 000
Total	71, 000, 000
American Republics (20.9 percent):	
Bolivia	20, 000, 000
Guatemala	15, 000, 000
Haiti	3, 000, 000
Total	38, 000, 000

Subsection (a) (1) amends section 201 (a) of the Mutual Security Act of 1954, which authorizes funds for development assistance in three regions for fiscal year 1955. The first clause of this paragraph changes the regional designation in section 201 (a) (2) from "South Asia" to "Asia" to correspond with the uniform regional designation now to be used.

The second clause amends section 201 (a) (3) by adding as a stated purpose of development assistance in Latin America the maintenance of economic and political stability in that area. This change makes the definition of development assistance for Latin America correspond with the definition for the other two areas, and provides a more complete description of the objectives of the programs presently planned under this section for Bolivia, Guatemala, and Haiti.

The third clause of this paragraph removes the restriction in title II that 30 percent of the funds appropriated for that title shall be available only for assistance on terms of repayment. The authority will remain to furnish development assistance on a loan or grant basis as is the case with other programs. Eliminating this restriction will permit the furnishing of assistance on a loan or grant basis as circumstances may justify in each case.

Testimony presented to the committee indicated that a percentage figure is interpreted by recipient countries as a maximum loan figure rather than a minimum. Without such a limitation the administration believes it will be possible to increase the loans for development assistance. For fiscal year 1955 about 40 percent of the money in title II was used for loans. The committee expects the administration to continue to press for loans as a basis of assistance.

Subsection (a) (2)—Authorizations

Near East and Africa.—In the Near East development assistance has been an important means of tackling the economic problems of that area. During the past year Israel, Egypt, Lebanon, and Jordan have been the beneficiaries of such aid. United States objectives in the Arab States and Israel, however, cannot be served with technical co-operation programs alone. The achievement of these objectives requires economic development at a pace which cannot be accomplished without external assistance. Development assistance has been given in past years to Jordan, Lebanon, Egypt, and Israel. In Egypt the

United States development assistance program is principally directed toward improvement in road and rail transportation facilities and increasing the supply of potable water; this aid is in support of Egypt's 10-year economic development program. In Jordan, United States aid is used to help forward development projects in irrigation, afforestation, road building, and community development. United States aid to Israel has helped that Government assimilate its refugees while helping to improve its foreign exchange position. Increases have resulted in industrial and agricultural production; land area under cultivation has been tripled since the creation of the State.

Asia.—Except for a small program in Nepal, India is the only country in Asia to receive development assistance funds for fiscal year 1956. Seventy million dollars is planned for this purpose.

Before the committee reached a decision on further assistance to India, it carefully considered the effects of such assistance not alone on India but in the larger context of our Asian policy. It is clear that India's foreign policy is often divergent from that which the United States pursues. The committee believes that neutral or even hostile expressions by Indian Government leaders must not obscure the fact that our stake is in the preservation of the Indian subcontinent as an independent state. In making a final determination on continued assistance, the committee points out that India insists it is a neutral country and it has a representative form of government which internally is strongly anti-Communist. The committee believes that our assistance to India as elsewhere in the free world is directed toward strengthening the democratic base of government. The more successful we are in achieving that objective, the more we make it possible for India to resist Communist threats and blandishments and to remain a part of the free world.

It is proposed to devote a total of \$10 million to the field of agriculture and natural resources, including \$4 million for fertilizer to meet the rising demand before the completion of additional manufacturing facilities; \$4 million for additional deep irrigation wells in the areas shown by the exploratory program to justify the drilling of production wells; and \$2 million for river valley development to assist in further expansion of irrigation.

To meet the expanding demand for power as industrial development progresses, \$5 million assistance in the construction of electric power facilities is proposed. Further support for industrial development is expected to take the form of steel in the amount of \$15 million, to help meet the shortage in India. Some part of this may be used, however, for aid to small rural industries by supplying equipment and making possible increased employment in rural areas.

Assistance in the field of transportation is proposed in the amount of \$6 million; this will support agriculture, mineral, and industrial development as well as foreign trade. This would represent a continuation of the program to rehabilitate the Indian railways. It is planned that steel for fabrication of railway rolling stock in India and equipment to expand freight-car fabrication in India will be supplied.

Four million dollars is to be used to further extend the area of malaria control during fiscal year 1956.

Assistance in the form of agricultural surplus commodities is proposed in the amount of \$30 million. The sales proceeds of these commodities are expected to be used for agreed economic development purposes such as local costs of irrigation, flood control, and power.

Latin America.—For Latin America, there is provided an authorization of \$38 million in development assistance. This is intended primarily as an emergency fund for 3 countries—\$15 million for Guatemala, \$20 million for Bolivia, and \$3 million for Haiti.

The development assistance program in Guatemala is intended to meet acute economic problems faced by the anti-Communist government headed by Col. Carlos Castillo Armas, which took power in July 1954 as a result of a successful revolution against the pro-Communist Arbenz regime. The Arbenz regime left behind it a stagnant economy, growing unemployment, an empty treasury, and a burden of heavy internal debt, making it necessary for the new administration to look to the United States for help to tide it over the crucial months until normality is restored and its long-term development plans begin to have their effect in mobilizing the country's considerable economic resources. A decline in the prices of coffee, Guatemala's principal export, has recently intensified the administration's economic difficulties.

To help reduce immediately the critical pressure of unemployment, during the latter part of 1954 the United States provided Guatemala with an emergency grant of \$3.2 million for immediate public works. This sum is being spent entirely on the Pacific Coastal Highway, a key link in Guatemala's communication network.

An additional \$12 million grant was allocated to the Roosevelt Hospital in Guatemala City, to help purchase equipment to put in operation 1 wing of this partially completed project. At the same time, the United States has resumed its cooperation on the Guatemalan sector of the Inter-American Highway, and through the United States Bureau of Public Roads, has allocated \$1,425,000 of United States funds to be spent on it this fiscal year at the prescribed ratio of 2 United States dollars for each Guatemalan dollar of expenditure. The United States is meanwhile carrying out a greatly expanded program of technical assistance in Guatemala to aid the Government in executing its long-term plans.

Present information shows that at the end of the current fiscal year, the Castillo government will be unable to assume on its own the cost of the emergency works projects already begun with United States aid.

Recently, a special study mission on international organizations and movements of the Committee on Foreign Affairs (comprising Hon. A. S. J. Carnahan, chairman, Hon. Thomas S. Gordon, Hon. Thomas J. Dodd, Hon. Harrison A. Williams, Jr., Hon. Robert B. Chipperfield, Hon. Chester E. Morrow, and Hon. Albert P. Morano) visited 4 of the 5 Central American countries, including Guatemala. Conferences with President Castillo Armas and firsthand observations by the members of the mission confirm the need for the continuation of emergency development assistance to Guatemala, the only country in world history successful in throwing off the Communist yoke.

In Bolivia, the ultimate objective is the development in Bolivia of a stable economy, able to provide the essential needs of the country without the necessity of external aid. The country's presently available resources are not sufficient to achieve this. The Bolivian

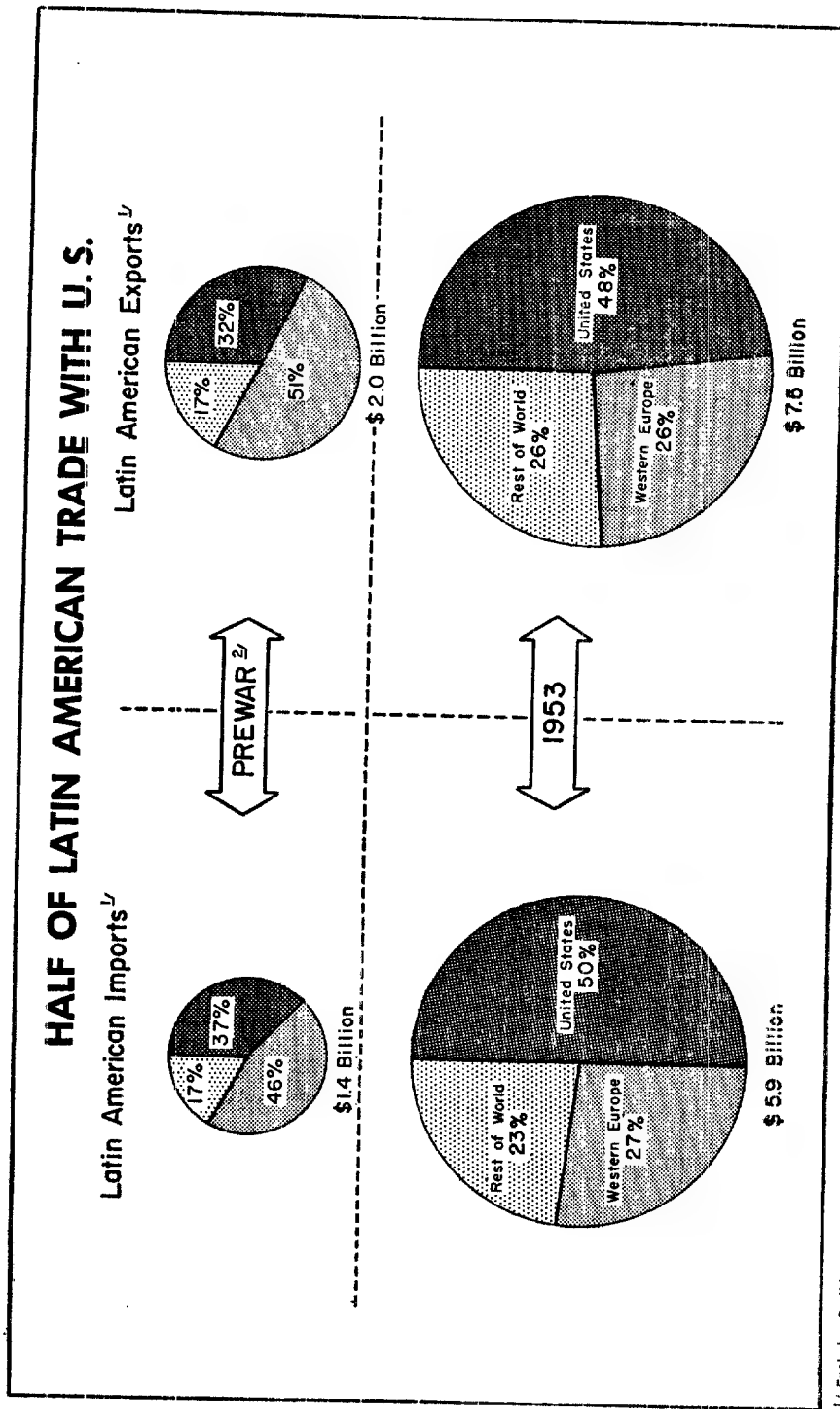
Government has a carefully developed plan prepared with the assistance of United States technicians, to overcome this condition and achieve a stable situation. It will continue to be dependent upon imported foods, however, for which it cannot fully pay with the foreign exchange it earns until the development program is considerably more advanced than at present.

Of the \$20 million requested for development assistance for Bolivia for fiscal year 1956, approximately \$12 million will be utilized for the purchase of foodstuffs in the United States, and the remaining \$8 million to provide agricultural machinery and equipment and other items to be utilized in connection with the program. The foodstuffs will meet the threat of hunger and avert possible starvation. The counterpart funds generated by the sale of the food shipments will be used to further the program, which, in order to be successful, must also include the \$8 million of agricultural equipment, supplies, and other items.

The aid given Bolivia under this program has helped and continues to help to avoid hunger and chaos. In addition, the program has been of great assistance in maintaining economic and political stability in Bolivia, and in aiding the Bolivian Government to counteract Communist pressure. It is the view of the committee that as long as these objectives are being achieved, the United States should be prepared to continue to extend aid to Bolivia until Bolivia is in a position to finance its development program alone.

In Haiti, the \$3 million requested would be used to continue the program of temporary emergency assistance to Haiti which began during 1955 and which is in addition to our technical cooperation program in that country. Because of the damage caused to Haiti by the hurricane last October, the United States has found it necessary to extend a limited amount, about \$3.4 million, of development assistance, and to provide about \$2 million worth of surplus agricultural commodities, to Haiti during the current fiscal year. The development assistance funds are being used primarily to help repair irrigation systems and rehabilitate farm-to-market roads and coffee plantings which were devastated during the hurricane. Because of the advent of a period of extended drought, the slow recovery from the effects of the hurricane and the severe shortage of foreign exchange resulting partly from the reduced coffee crop, it appears essential that our program of emergency assistance to Haiti be continued in fiscal year 1956. Three million dollars of development assistance funds are required for this purpose. These funds would be used, as the development assistance funds are being used during the current fiscal year, primarily to help repair irrigation systems and rehabilitate farm-to-market roads and coffee plantings.

The following chart illustrates the importance of Latin America to the international trade of the United States:



Subsection (b)—Administration

This subsection adds a new sentence to section 202, which relates to administration of development assistance, providing that the President may exercise for purposes of development assistance the authority provided under section 307 with respect to technical cooperation. The latter section includes the authority to make advances and grants and to make and perform contracts and agreements, provided that any contract or agreement entailing commitments to expend funds may, subject to future action by the Congress, run for not to exceed 3 years. Development assistance is in many cases furnished as a supplement to technical cooperation. This amendment makes clear that commitments for expenditures for development assistance may be entered into for periods up to 3 years, paralleling the authorized period of commitment for technical cooperation. This will strengthen the basis for longer term coordination of activities under these two programs.

SECTION 7—TECHNICAL COOPERATION

This section authorizes appropriations for three technical assistance programs in which the United States participates: (1) Bilateral technical assistance, \$146,500,000; (2) United Nations expanded programs, \$24,000,000; and (3) Organization of American States programs, \$1,500,000.

*Subsection (a)—Authorizations**Bilateral technical cooperation (sec. 7 (a))*

Technical cooperation, \$146,500,000 (100 percent):

Near East and Africa (28 percent):

Egypt.....	\$4, 000, 000
Ethiopia.....	3, 400, 000
Greece.....	1, 500, 000
Iran.....	10, 000, 000
Iraq.....	2, 300, 000
Israel.....	2, 000, 000
Jordan.....	2, 800, 000
Lebanon.....	2, 500, 000
Liberia.....	1, 800, 000
Libya.....	2, 000, 000
Turkey.....	2, 500, 000
Overseas territory.....	4, 000, 000
Regional projects.....	2, 200, 000
Total.....	41, 000, 000

Asia (45.4 percent):

Afghanistan.....	2, 000, 000
India.....	15, 000, 000
Nepal.....	1, 000, 000
Pakistan.....	9, 000, 000
China (Formosa).....	3, 000, 000
Indonesia.....	8, 000, 000
Japan.....	1, 000, 000
Korea.....	8, 000, 000
Philippines.....	6, 500, 000
Thailand.....	5, 500, 000
Cambodia, Laos, and Vietnam.....	7, 500, 000
Total.....	66, 500, 000

Bilateral technical cooperation (sec. 7 (a))—Continued

Technical cooperation, \$146,500,000 (100 percent)—Continued

Latin America (20.5 percent):

Bolivia.....	\$2,507,900
Brazil.....	3,485,500
Chile.....	2,354,900
Colombia.....	1,550,700
Costa Rica.....	1,052,100
Cuba.....	621,700
Dominican Republic.....	433,700
Ecuador.....	1,605,400
El Salvador.....	1,006,800
Guatemala.....	1,830,000
Haiti.....	1,503,700
Honduras.....	1,053,400
Mexico.....	1,762,000
Nicaragua.....	910,100
Panama.....	1,268,800
Paraguay.....	1,453,200
Peru.....	2,704,700
Uruguay.....	425,900
Venezuela.....	175,100
Overseas Territories.....	1,095,000
Regional projects.....	1,199,400

Total.....	30,000,000
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Interregional expenses (6.1 percent).....	9,000,000
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The major emphasis of technical cooperation programs has always been in the fields of agriculture, health and sanitation, and education. Although programs have been undertaken in other fields, those three still account for the bulk of our aid. For fiscal year 1956 about 62 percent of United States assistance in bilateral technical cooperation programs will be spent for those purposes. The following table shows the major fields of activities as planned for the next fiscal year.

Major fields of activity, fiscal year 1956

[Thousands]

	Near East and Africa	Asia	Latin America
Agriculture and natural resources.....	\$10,706	\$18,672	\$10,711.5
Industry and mining.....	3,726	8,904	2,440.1
Transportation.....	3,089	1,540	1,492.6
Labor.....	850	1,410	1,009.7
Health and sanitation.....	5,211	9,196	5,734.3
Education.....	7,866	12,670	4,197.5
Public administration.....	2,640	7,695	1,912.6
Community development, social welfare, and housing.....	3,857	3,973	1,944.5
Other.....	3,055	2,440	1,557.2
Total.....	41,000	66,500	30,000.0

Near East and Africa

Small technical cooperation programs are in operation in Greece and Turkey, which supplement the much larger military and defense support programs. The main direction of programs in these countries is to increase their agricultural and industrial productivity.

In Iran technical cooperation activities have greatly contributed to improved living conditions. Malaria, for example, is no longer the country's No. 1 health problem. In 3 years it should be virtually wiped out. Serious epidemics of contagious diseases are now

less frequent owing to the operations of the Iran-United States Public Health Cooperative. Many farm families today enjoy a better return from their labor as a result of technical cooperation projects that introduced seed which produced higher yields, that improved the native cattle and chickens through crossbreeding, and demonstrated the value of more economic methods of irrigating and growing crops.

Through other technical cooperation projects, American specialists have given thousands of teachers their first training in modern American teaching methods and specialized instruction in the fields of agriculture, homemaking, and vocational skills. Modern textbooks based on American models are being placed in most elementary schools. United States Government techniques and administrative practices have been introduced through the creation of an Institute for Administrative Affairs at Teheran University, and into government ministries, including the Ministry of Finance and the Iranian Plan Organization. The Ministry of Labor has been helped to develop modernized employment services, an apprentice system and safety programs. Factories have been assisted in raising production levels, in improving personnel practices, and in providing better working conditions.

The areas of the Arab States and Israel are characterized by underdeveloped resources. Economic and political stability of the area has been complicated by the Arab-Israeli conflict and the resultant unsettled population, with 880,000 Arab refugees still on relief.

Progress has been made in many countries of the area in recent years through the program for technical cooperation. In Iraq, for example, a country with adequate resources of its own to finance major programs of land reclamation and improvement, assistance by American technicians has been eagerly sought to make best use of its capital. In Lebanon the technical cooperation program has been conspicuously valuable in furnishing the Lebanese with the engineering blueprint needed for the development of the resources of the Litani River. Throughout the area, United States agricultural technicians are training local extension agents; livestock improvement projects are demonstrating better breeding and increased production methods; health technicians are being trained; and education facilities expanded.

The continued supply of raw materials, the maintenance of air and naval bases, and the investment in new production in Africa require a high degree of political stability and friendly ties with the West. Libya, Ethiopia, and Liberia as well as the territories are now in the process of developing new political and social institutions. The territories are in various stages of development, with the Gold Coast and Nigeria approaching independence within the Commonwealth. Several territories are now in the process of developing multi-racial societies as an essential step toward increased self-government.

For fiscal year 1956, there is proposed a technical cooperation program of \$11.2 million for the independent African countries of Ethiopia, Libya, and Liberia, and for the overseas territories of France, Belgium, Italy, Portugal, and the United Kingdom. As the Sudan is soon to determine its future through the free choice of its people, it may be in our interest to extend technical assistance to that country in the coming fiscal year. The United States programs in Africa are designed to improve the standards of living through technical assistance in agriculture, health, and vocational training.

Asia

Technical cooperation is a necessary complement to the other types of assistance that the United States is extending to the free countries of Asia. By providing knowledge and skills we are increasing the capacity of these countries for self-development and for more stable political organization. As the majority of the people of the area live off the land and its products are the first essentials of life, primary emphasis has been placed on agricultural projects in the earlier stages of economic development programs. United States technicians have, and are continuing to train local teachers, village workers, and government personnel who are the key to community development and extension service programs. United States equipment, supplies, and know-how now at work, are also concentrated on such fields as water resources development, fertilizer utilization, and crop diversification.

The Bandung Conference was a gage of the increased self-assurance of many of the free Asian nations. Such confidence can only come from a greater measure of internal stability and development to which our programs are directed. The committee was impressed by the fact that among those who stood with the free world were nations not receiving assistance from us. Should the occasion arise when these nations need, and ask for, a small measure of technical cooperation, or other assistance, to carry out programs that will strengthen their economy, the committee recommends that their request be given sympathetic consideration by the executive branch.

Latin America

Bilateral technical cooperation programs in Latin America are designed primarily to help improve the competence of the people and institutions of that area in planning and working toward the effective economic development of their countries. Through these programs, the United States works in partnership with the individual Latin American governments and their peoples in developing improved national systems of, and training technicians in, such fields as health, education, agriculture, transportation, industry, labor, housing, and public administration.

In recent years increased attention has been given to technical cooperation fields other than the basic programs of health, education, and agriculture. Illustrative of the major fields of activity more recently included in the program are public administration, labor, transportation, industry, mining, and housing. In fiscal year 1955, about 27 percent of the estimated \$25.1 million total United States obligations for the bilateral technical cooperation program is being directed toward these newer fields of activity.

The results of training which Latin Americans have received under the program are indicated by the many participants who have returned from the United States to assume positions of leadership in their countries. In one country, for example, participants who studied in the United States now hold positions as Director General of Agriculture; Chief of Public Health Education; Chief of International Affairs, Department of Health; and the directorship of a large trade school in the capital city. Returned participants have also filled many senior positions in servicios.

The contributions of Latin American countries to the technical cooperation programs have risen substantially both in amount and

in relation to the United States contributions since 1942 when the Institute of Inter-American Affairs program was inaugurated. Contributions to these programs are classified as "in cash" or "in goods and services." Contributions in cash are the amounts deposited by the United States and the host country in joint accounts to finance the project operations of servicios. Contributions in goods and services are described below.

Subsection (b)—Multilateral technical cooperation

Paragraph (1) authorizes the appropriation of \$24 million for United States contributions to the United Nations program of technical assistance in fiscal year 1956. It is pointed out that these contributions will cover an 18-month period, the last 6 months of calendar year 1955 (July through December) and all of calendar year 1956. The amount authorized would provide \$8.5 million for the last half of calendar year 1955, and \$15.5 million for the full calendar year 1956, for a total of \$24 million. The United Nations program operates on a calendar-year basis. The United States has contributed \$6.5 million for the first half of calendar year 1955. Thus, the authorization in this bill will make possible a total United States contribution of \$15 million for calendar year 1955, and a total of \$15.5 million for calendar year 1956.

The continuation of this program was specifically urged by the President in his state of the Union message as the 84th Congress opened, in these words:

We must facilitate the flow of capital and continue technical assistance both directly and through the United Nations.

Paragraph (2) of section 7 (b) authorizes \$1.5 million for contributions to the technical assistance programs of the Organization of American States for fiscal year 1956, to be contributed in calendar year 1956. The special study mission on international organizations and movements to Central America observed at firsthand several excellent OAS technical assistance projects in the fields of housing, education, and agriculture. Progress in these fields is essential if the peoples of Latin America are to attain a better way of life. In this international movement in Latin America toward better health, better sanitation, better housing and better agricultural methods, the OAS technical assistance program can make a major contribution at a relatively small cost to the 21 participating members of the OAS. The continued support of this program by the United States is in keeping with its traditional policy of good neighborliness and partnership with our sister Republics to the south.

Subsection (c)—International Development Advisory Board

This subsection amends section 308 of existing legislation to permit members of the International Development Advisory Board to receive any new standard per diem rate which is higher than \$10 per diem. At the present time members of the IDAB are authorized \$10 per diem in lieu of subsistence and other expenses while engaged in attendance at meetings of the Board or at conferences called by the chairman while they are away from their homes or regular places of business. It is anticipated that final action may have been taken by the time the Mutual Security Act of 1955 is enacted to raise the per diem prescribed in the Standardized Government Travel Regulations.

SECTION 8—OTHER PROGRAMS

Subsection (a)—President's special fund

This subsection amends section 401 which now permits the President each fiscal year to make special use of up to \$150 million of funds appropriated under authority of other provisions of the act without regard to the requirements of that act or any other act for which funds are authorized by that act in furtherance of the purposes of such acts when he determines that such use is important to the security of the United States. The amendment reduces the authority to use other funds for special purposes by \$100 million, that is, from \$150 million to \$50 million, and instead authorizes to be appropriated for use under section 401 a separate amount of \$100 million for fiscal year 1956.

The separate authorization for \$100 million for special purposes is needed because the most careful advance planning cannot anticipate the many contingencies which will arise during a 12-month period, and because the diversion of funds from planned programs to meet such contingencies causes a wasteful disruption of such planned programs. This authorization carries out the recommendation of the Comptroller General of the United States based on his recent study of the administration of the Foreign Operations Administration.

This subsection also amends the provision in section 401, which now permits the President to withhold disclosure of the nature of expenditures under section 401 of amounts up to \$50 million, by maintaining the existing money limit but permitting such authority to be exercised with respect to any funds authorized under the act.

Subsection (b)—Surplus agricultural commodities

Existing law requires that not less than \$350 million of the funds made available pursuant to this act must be used to finance the export and sale for foreign currencies for surplus agricultural commodities. This subsection is so worded as to add \$250 million to this, making the total \$600 million, including last year's authorization. This means that \$600 million of fiscal 1955 and 1956 funds must be used only to finance surplus agricultural commodities. Present indications are that more than \$350 million of fiscal 1955 funds will be used for this purpose. As a consequence, it is probable that less than \$250 million will be used in this manner in fiscal 1956.

This constitutes a reduction of \$100 million below last year's requirement and \$50 million below the requirement of the Senate bill. The committee's action is based on its belief that since much less economic aid is provided to Europe under the present bill, where the principal markets for agricultural products are located, it will not be possible to use a larger quantity of such products in the aid program.

Subsection (c)—Joint control areas

This subsection amends section 403, which relates to joint control areas, so as to assure that assistance may be furnished in the future under that section to any area over which the United States had joint control responsibilities as of the date of enactment of the Mutual Security Act of 1954 (August 26, 1954), regardless of whether the occupation status of those areas continues. When the act was originally passed the United States had such responsibilities in Austria, Berlin, the Federal Republic of Germany, and Trieste. The subsection also authorizes a new appropriation for fiscal year 1956 for the purposes of

this section; the new funds are intended primarily for Berlin and for a small technical exchange program in Austria and the Federal Republic of Germany.

Subsection (d)—Migrants, refugees, and escapees

This subsection deals with three related, but different programs concerning migrants, refugees, and escapees.

Paragraph (1) changes the heading to section 405 of present law to conform to the revised scope of the section to include escapees.

Paragraph (2) of the Senate version would authorize an appropriation, available for obligation during fiscal year 1956, for contributions to cover the United States share of the calendar year 1956 program, including contingencies, of the Intergovernmental Committee for European Migration (ICEM). The purpose of that committee, which is composed of 24 nations, is to increase the movement of migrants, including refugees and escapees, from overpopulated countries in Europe to countries which can absorb increased populations. Since a continuing authorization for this purpose was approved last year, the committee deleted this provision as unnecessary. This is no reflection on the program of ICEM and the necessity for the funds requested.

Paragraph (2), as amended by the committee, authorizes an appropriation of \$1,400,000, available for obligation during fiscal year 1956, for contributions for the calendar year 1955 program of the United Nations Refugee Fund (UNREF). This program is designed to find permanent solutions for the problems of refugees originating for the most part from World War II and its aftermath who still remain an economic drain on the free countries of Western Europe, and to permit emergency assistance for the most needy cases. An authorization for this purpose was approved last year but no appropriation was made.

UNREF is a 4-year fund to be financed by voluntary contributions that was authorized by the United Nations General Assembly in resolution 832 (IX) of October 21, 1954. The purpose of the fund is to enable the United Nations High Commissioner for Refugees to undertake a program of permanent solutions of the problems of those refugees originating for the most part from World War II and its aftermath who, 10 years after the war, still remain an economic drain on the free countries of Western Europe, and to permit emergency assistance for the most needy cases. This fund represents a final effort on the part of the United Nations to assist in finding solutions for the most difficult cases, and was supported by the United States with this understanding. The countries of residence, it is understood, will assume full financial responsibility should any of the refugees within the scope of the program still require assistance at the end of the 4-year period.

The amount of \$1,400,000 represents one-third of the \$4,200,000 required from all countries for the first year's operation of the 4-year program, estimated to cost a total of \$16 million. It is further proposed that payment of the United States contribution be limited to approximately one-third of total government contributions paid into the central account of UNREF.

Paragraph (3), as amended by the committee, adds to section 405 of the Mutual Security Act of 1954 a new subsection (d) which would authorize an appropriation of \$6 million for fiscal year 1956 for con-

tinuation of the escapee program which has been undertaken under section 401 of the act; these funds would be available for the types of activities, such as reception, interim care and maintenance, and resettlement assistance, which have been carried out in the past under the various provisions of section 401. In the past funds have been included in appropriations for military assistance and then have been transferred under section 401 for the escapee program. A separate authorization is now provided for programed requirements which it is feasible to identify and authorize separately. The military assistance authorization for this year accordingly does not contain an amount programed for the escapee program activities covered in the new subsection.

Subsection (e)—Children's welfare

This subsection authorizes an appropriation for the fiscal year 1956 of \$14,500,000 for United States contributions to the United Nations Children's Fund. Of this amount, \$4,800,000 is intended to complete payment of United States contributions for calendar year 1955, for which appropriations have not yet been made, bringing the total United States contribution for the current calendar year to \$9 million. The balance, \$9.7 million, is for the entire calendar year 1956. Because the United Nations fiscal year begins on January 1 instead of July 1, it is difficult for the program to be planned for maximum effectiveness unless the United States is in a position to make a full year's pledge at the time the other countries are making their pledges. If the proposed appropriation authorized is passed for the full 18-month contribution, it will be possible in the future to request only the funds required for a 12-month calendar year programming period.

The committee notes with satisfaction that UNICEF aid no longer emphasizes the emergency "handout" type of assistance prevalent in the early days of the program. On the contrary, present UNICEF activities concentrate on permanently improving rather than temporarily relieving child health conditions, and are designed to provide an initial impetus to programs which assisted countries will eventually carry on by themselves.

The following summary table of Government contributions (in millions of dollars) to the central account of UNICEF illustrates the progressive reduction in the percentage of the United States contribution and the steady increase in contributions from other governments for the past several years:

Calendar year program	United States contribution	Other government contributions	United States percentage
1952.....	\$6.7	\$2.7	71
1953.....	9.8	4.6	68
1954.....	8.3	5.3	61
1955 (proposed).....	9.0	¹ 6.0	60
1956 (proposed).....	9.7	¹ 7.2	57.4

¹ Estimated.

The United States contribution has been approximately 33½ percent of all contributions, including contributions made by governments for the benefit of persons located within territories under their control. These local cost contributions have shown an increase from \$23.6 million to \$32.5 million over the 3-year period from 1952 through 1954.

In 1954 the United States contribution was 18 percent of all contributions, including the local matching contributions.

Subsection (f)—Palestine refugees in the Near East

This subsection authorizes an appropriation of \$65 million for fiscal year 1956 for contributions to the United Nations Relief and Works Agency (UNRWA) for Palestine refugees in the Near East. The existing authority in section 407 of the Mutual Security Act of 1954, under which the President may spend any funds made available under that section through any other agency he may designate if he determines that this would more effectively contribute to the relief, rehabilitation, and resettlement of Palestine refugees in the Near East, would be applicable to the new funds as in the past.

Seven years ago, as a result of the Palestine conflict, nearly a million Arabs left their homes in what is now Israel. For reasons which remain points of bitter dispute, they sought shelter in the remainder of Palestine and the four neighboring Arab States—some of which were already overpopulated and all of which faced serious problems of unemployment and low living standards. Their places have been taken by close to a million Jewish people. The Arab refugees have not been compensated for their property. Some of the refugees returned to Israel, and others found employment in Arab countries. However, 887,000 refugees are today receiving rations from the United Nations Relief and Works Agency.

Approximately 486,000 are in Jordan, where they comprise well over one-third of the population. Another 212,000 are in the Gaza Strip, a coastal area now under Egyptian military government, which supported 70,000 people when it was part of the Palestine mandate. Some 101,636 are in Lebanon and 86,191 are in Syria. Generally speaking, they are restless and bitter. Continuation of a relief program is considered essential to prevent complete catastrophe.

The relief program.—Insofar as the welfare of the refugees is concerned, 834,000 daily rations of about 1,600 calories are being distributed among a total of 887,000 refugees as of June 30, 1954, no significant change having occurred in this total for the past 3 years. The cost of this ration is about \$3 per ration per annum. It is considered just adequate for the requirements of the refugee group, and more often than not UNRWA is criticized by observers from abroad for not providing enough. Many of the refugees, however, are able to supplement their rations by occasional work available to them. Any significant increase in rations may result in some cases in placing a premium on idleness, and in other cases in creating a willingness to work at cut-rate wages, thus intensifying the already serious pressure of refugee labor in the local labor market and resulting in still further hardship on the settled population, particularly in Jordan and in Lebanon. Serious social problems have arisen because of the competition of refugee labor in these countries.

Rehabilitation program.—Substantial progress has been made in two major projects for which funds have been reserved in prior years. Engineering examination of the project in Sinai is well advanced, and the possible outlines of the undertaking are now becoming clear. This project is estimated to involve the irrigation of 50,000 acres, to provide a living for 70,000 or 80,000 refugees, and may cost as much as \$50

million. It involves increasing the capacity of the present sweet-water canal which leads from the Nile to the Suez Canal; a siphon to convey water under the canal; a pumping operation to raise the waters a few meters to an appropriate height to permit gravity flows to agricultural lands; land-reclamation operations similar to those practiced in the Nile Valley; establishment of farms and necessary community centers. Much of the work can be done by the refugees themselves, thus reducing the relief burden in Gaza.

UNRWA has financed several smaller resettlement programs and is also devoting rehabilitation funds to education and training. The educational program now affects no fewer than 154,000 refugees or 17 percent of the total refugee population. The cost of this program, including elementary and vocational training and a certain amount of advance study, was \$2.5 million in fiscal year 1954, charged to rehabilitation funds. It is intended to expand the educational program.

United Nations Relief and Works Agency—Comparative summary of receipts and obligations

[In thousands of dollars]

	Program		
	Fiscal year 1954	Fiscal year 1955	Proposed fiscal year 1956
Receipts:			
Working capital.....	45,200	39,600	30,000
Contributions and miscellaneous receipts:			
United States contribution.....	15,000	16,700	65,000
Other contributions.....	8,600	8,500	30,400
Total.....	68,800	64,800	125,400
Obligations and expenditures:			
Relief.....	23,900	125,100	27,800
Reintegration.....	5,300	19,700	77,600
Working capital.....	39,600	30,000	20,000
Total.....	68,800	64,800	125,400

¹ Estimated.

United States contribution to NATO civilian expenses

This subsection of the Senate bill would authorize \$3.7 million for the United States contribution to the civilian expenses of the North Atlantic Treaty Organization. Of this amount, \$1,225,000 is for the expenses of the international secretariat serving the North Atlantic Council and \$2,475,000 is for construction of a new, permanent NATO headquarters building.

As in the case of ICEM, the committee deleted this provision as unnecessary, since a continuing authorization is contained in existing law. This action, likewise, is no reflection on the need for the requested funds.

Subsection (g)—Ocean freight charges

This subsection amends section 409 of the mutual security legislation which provides for the payment of ocean freight charges on shipments by United States voluntary nonprofit relief agencies and authorizes the use of any funds made available under the act to pay

ocean freight charges on shipments surplus agricultural commodities made available pursuant to United States legislation for the disposal abroad of United States agricultural surpluses.

The new sentence added at the end of subsection (c) of section 409 authorizes the appropriation of \$2 million for fiscal year 1956 to continue the normal program of financing ocean freight charges on shipments of relief supplies by approved United States voluntary nonprofit relief agencies. Approved agencies are those registered with the Advisory Committee on Voluntary Foreign Aid and the American Red Cross. These private agencies draw their principal support from voluntary donations of the American people both in cash and in kind. It has been conservatively estimated that their combined constituencies comprise 75 percent of the American people. The program is typically American, representing, as it does, a material expression of good will by our citizens for their less fortunate friends abroad.

Supplies valued at \$23,250,000 will have been shipped and distributed this year at a cost to the Government of \$1.5 million. It is readily seen, therefore, that in terms of the value of the goods delivered, the cash outlay on the Government's side is multiplied 15½ times. These goods include specifically food, clothing, medical and hospital supplies, school supplies, handtools for trades and agriculture, and other self-help supplies. Much of these goods are donated in kind without any cash contribution to cover delivery costs. Hence, the value to the agencies of ocean freight support, without which the program could not go forward at its present level. The increase in the amount requested this year as against last is principally to take care of substantially increased shipments of goods to South Vietnam. The voluntary agencies are gearing their programs to service the increased needs occasioned by the mass movement of refugees from North Vietnam.

The program represents a three-way cooperative arrangement between the American voluntary agencies, the United States Government, and the foreign governments, with each contributing materially to its success. Under regulations which have been established for the program, all goods are adequately marked to identify their United States origin. These markings bear the FOA emblem and the wording "Gift of the American People—Ocean Freight Paid by the United States Government." Additionally, each agency must maintain in the recipient countries United States citizen representatives to supervise distribution and to insure that the supplies reach the persons for whom they are intended.

The amended subsection (d) continues the existing authority to utilize other funds appropriated under authority of other provisions of the act for ocean freight charges on surplus agricultural commodity shipments and, for the first time, authorizes a separate appropriation of \$13 million for fiscal year 1956 to pay such charges. This new separate appropriations authorization is planned partially to meet requirements for such shipments as those under title II of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong.) (which authorizes shipments of up to \$300 million worth of surplus agricultural commodities held by the Commodity Credit Corporation over a 3-year period to meet famine and other needs of friendly nations), and title III of that act (which allows

certain surplus agricultural commodities to be made available to United States voluntary nonprofit relief agencies for distribution to needy people abroad).

Subsection (h)—Control Act expenses

This subsection amends section 410, which authorizes appropriation for carrying out the objectives of the Mutual Defense Assistance Control Act of 1951 (Battle Act), by authorizing for fiscal year 1956 an appropriation of \$1,175,000 for this purpose. This same amount was appropriated for fiscal year 1955. The funds requested will provide for staff and coordination activities of the Battle Act and will supplement the regular appropriations of other executive agencies with responsibilities under the act, such as the Departments of Defense and Commerce.

Subsection (i)—Administrative and other expenses

Paragraph (1).—This paragraph amends the title of section 411 of the act, which authorizes the appropriation for administrative expenses and empowers the Director to waive laws and regulations regarding the expenditure of Government funds in certain instances, to conform to other changes made in that section which are described below.

Paragraph (2).—This paragraph authorizes \$35,225,000 for administrative expenses of all parts of the program except military assistance and direct forces support. The current year's appropriation is \$32,500,000, but this sum includes the administrative costs for direct forces support. It is anticipated that decreases in the European missions will be offset by larger programs in the underdeveloped countries of the Far East, the Near East, and Latin America. The largest single increase of \$900,000 is for the expenses of administering the Korean program, most of which administrative costs have previously been charged to the Department of Defense.

The administration expects that the proposed transfer of the Foreign Operations Administration to the Department of State as the International Cooperation Administration will have no major effect on administrative requirements.

Paragraph (3).—This paragraph restores, in almost identical language, the provisions of section 114 (b) of the Economic Cooperation Act of 1948 which permitted the Administrator, with respect to certain expenses of overseas personnel (other than compensation) and with respect to certain other expenses paid for out of either administrative or program funds, to waive such laws and regulations regarding the obligation and expenditure of Government funds as he deemed necessary to accomplish the purposes of the act.

This waiver authority, contained in section 411 (b) of the act, has been in effect since the inception of the mutual security program, except that for fiscal year 1955, through inadvertence in drafting, it was coupled with the authorization for administrative expenses, thus limiting its use to funds appropriated for that purpose. Nothing in the legislative history of section 411 (b) supports a conclusion that either Congress or the executive branch intended this result. Since overseas personnel of the Foreign Operations Administration are paid

out of either administrative or program funds, depending on the functions they perform, the present waiver authority as to unusual expenditures for administrative personnel and administrative purposes is, by the amended language, made applicable to unusual expenditures for program personnel and operational purposes.

For example, the Director may now waive certain laws and regulations with respect to emergency hospital care or housing for administrative employees working in a faraway mission. He should have the same authority with respect to program employees working at the same mission. By inserting subsection (c) as a separate subsection of section 411, and by inserting the word "operating" before "purposes" in the body of the subsection, the amended language reflects what had been, prior to fiscal year 1955, the accepted and understood practice.

Subsection (j)

President's Fund for Asian Development.—The first part of this subsection authorizes an appropriation of \$200 million for the "President's Fund for Asian Development." The fund is available for obligation until June 30, 1958. The committee calls attention to two limitations placed upon the use of this fund: (1) Not less than 50 percent of the appropriations made to the fund shall be available on a loan basis; and (2) not more than 25 percent may be allocated to any one nation. The President is required to report semiannually to Congress on the use of the fund.

As indicated in the language of the section, the purpose of the fund is to contribute to—

an expanding economic growth of the free Asia area based upon self-help and mutual cooperation and full utilization of already existing resources and knowledge.

The absence of these factors together with a scarcity of local capital and of outside private capital are among the most distinctive features of the Asian economy.

This emphasis upon a regional approach to the area's development complements the strictly bilateral programs we have with many of the countries of free Asia. By stimulating greater economic and political unity in the area and by providing the incentive for the planning and development of projects of long-term value to the region, as well as the individual countries, it is intended to supplement programs concerned only with military objectives. The fund will also be concrete evidence that the United States is concerned about the serious economic difficulties confronting those countries, difficulties which in many of those countries are compounded by their defense programs.

The money would be allocated to a particular country on a loan or grant basis for projects whose impact would extend beyond that country. Projects for river development, transportation, communications, trade, and training centers could be financed in part from the fund. Administered with a combination of prudence and imagination, it can provide the initial stimulus that would strengthen the countries of free Asia. It should be noted that the committee inserted a qualification limiting the fund's availability to friendly governments and organizations.

World Health Organization.—This subsection removes the existing \$3 million limitation on the amount which may be appropriated annually for United States contributions and provides in lieu thereof that United States contributions shall not exceed 33½ percent of total assessments on active members, this new limitation to be effective for each fiscal year of the organization after 1958.

When the United States by congressional action joined the World Health Organization in 1948, its share of the Organization's budget was approximately 40 percent. As the Organization has matured, its work and its budget have expanded in an orderly way. At the same time, under the urging of United States delegates, our share percentage-wise of its budget, has been decreased.

The assessment on the United States for the calendar year 1955 is \$3,349,790, or 36.76 percent of the operating budget. For 1956 it will be \$3,410,040, or 35.90 percent. The subsection will permit the executive branch to request appropriation of funds to pay in full the 1955 assessment and future years' assessments, while at the same time protecting the United States by limiting the maximum percentage share to be borne by this country.

On paper, the United States is at present assessed only 33½ percent of the total amount assessed on all members of WHO, but those members include nine Soviet and satellite countries which for several years have taken no part in the activities of the Organization and have not paid their contributions. This situation has not been a satisfactory one. The committee therefore notes with approval that the World Health Assembly at its meeting in Mexico City in May of this year accepted the principle that the United States share should not exceed 33½ percent of the assessments on active members, and further decided that the United States share would be reduced in 4 equal steps from its present level of 36.76 percent to 33½ percent by 1959. This reduction for the United States results in substantial percentage increases for most of the other members of the Organization.

The World Health Organization has decisively proved its worth in the 7 years of its existence. It represents a cooperative effort of more than 70 countries to raise levels of health throughout the world by combating the spread of epidemic diseases and by strengthening public-health services particularly in underdeveloped countries so that the latter will be better able to meet their own health needs and strengthen their economies with a minimum of outside assistance.

Joint Commission on Rural Development.—Greater participation by the peoples of the less developed countries in our bilateral assistance programs has always been one of our primary objectives. One tested method of achieving this objective has been the Joint Commission on Rural Reconstruction in China. First established on the mainland, it moved to Formosa when the Communists overran China. Through joint planning and operations in agriculture and other fields of activities that intimately touch the masses of people, it has provided that spark of grassroots enthusiasm that is essential if the program is to succeed. The Philippine Government is engaged in an extensive program of rural development. It has studied the work of the Joint Commission on Rural Reconstruction on Formosa and has expressed a desire to proceed in a similar way in the Philippines. This section

provides the necessary authority to establish a joint organization. It does not add any money to the bill; rather it permits the use of not more than 10 percent of the money programed for the Philippines to be used for the work of the Commission. The money that is programed may be (1) in United States dollars, (2) Philippine currency derived as a result of assistance provided under this act or any other act, or (3) a combination of such dollars and Philippine currency.

SECTION 9 -- GENERAL PROVISIONS

Subsection (a) in the draft bill submitted by the executive branch and in the bill as it passed the Senate included a minor technical amendment to section 501 of the Mutual Security Act of 1954 which authorizes the transfer of funds. After a review of this language, the executive branch decided that the proposed amendment was unnecessary.

It is the understanding of the committee that the language of section 501 as it stands in the Mutual Security Act of 1954 authorizes the handling of carryover funds in respect to transfers in the same manner as has always been the case under previous mutual-security legislation.

For this reason this subsection has been eliminated from the bill.

Subsection (a) -- Use of foreign currency

This subsection amends section 502 (b) of existing law, which authorizes the use of local currencies owned by the United States for appropriate committees of Congress for their local currency expenses, to include the Joint Committee on Atomic Energy and the Joint Committee on the Economic Report. Both these committees have responsibilities and interests outside the United States but do not carry out their duties under section 136 of the Legislative Reorganization Act of 1946, as amended. The proposed amendment, therefore, makes clear to these committees that they may use local currencies for their expenses in foreign countries.

Subsection (b) -- Termination of assistance

This subsection repeals section 503 (b) of the Mutual Security Act of 1954 and designates subsection (c) as (b). This amendment eliminates the special termination provision which now applies to development assistance authorized by title II of the act and which would have required the liquidation of functions under that title after June 30, 1955.

Subsection (c) -- Loan assistance and sales

Paragraph (1).—This paragraph amends the title of section 505 of the act, which relates to assistance under the mutual security program to be provided in the form of loans, to conform to the change made in that section which is described below.

Paragraph (2).—This paragraph amends section 505 of the act to permit the President, where it would be to the advantage of the United States, and in lieu of furnishing assistance directly to a country, to finance the export of commodities to one country in return for goods and services of that country which may be required for the assistance program. In other words, commodities bought with mutual security appropriations could be sold for local currency to the first country

and the local currency generated could be used for the benefit of programs in other countries without a second charge to the mutual security appropriation for the transaction. Such a second charge would otherwise be required by section 1415 of the Supplemental Appropriation Act, 1953. The proposed amendment is consistent with the authority already provided by the Congress in section 240 of the act, which authorizes the disposal of surplus agricultural commodities.

In effect, this amendment permits handling local currencies derived from the sale of commodities other than surplus agricultural products in the same manner as such currencies obtained in agricultural transactions are administered. It is anticipated that this provision will facilitate the supplying of coal in providing assistance to certain countries.

Subsection (d)—Shipping on United States vessels

This subsection adds a sentence at the end of section 509 of the Mutual Security Act, which section requires that not less than 50 percent of the gross tonnage of commodities, materials, and equipment procured under certain sections of the act be transported on United States-flag commercial vessels, so as to exempt the provisions of cargo preference legislation, in particular Public Law 664, 83d Congress, from shipments between foreign countries of commodities procured with foreign currencies. Although the provisions of section 509 of the act do not impose such a requirement, Public Law 664 has been interpreted to require that not less than 50 percent of the commodities procured in one foreign country with local currency sales proceeds from the sale of surplus agricultural commodities and which are to be shipped to other foreign countries as part of the mutual security program, must be shipped on United States-flag commercial vessels. Testimony was given to the committee that, because of the application of the cargo preference legislation to such transactions between foreign countries, the sale of surplus agricultural commodities has been severely hampered.

Because the application of such legislation has also interfered with shipment of surplus agricultural commodities from the United States, the committee added an amendment to the Senate bill amending section 509 of existing mutual security legislation so as to exclude such commodities from the operation of the 50-percent shipping requirement.

SECTION 10—ORGANIZATION AND ADMINISTRATION

Subsection (a)—End items

The Mutual Security Act (sec. 524 (a)) is supposed to refer to "the supervision of end-item use." In the course of editing last year's bill the words were changed to "end items used." This amendment restores the correct language which dates back to the Mutual Security Act of 1951.

Subsection (b)—Authority to reorganize

This subsection amends, in the first clause, the second sentence of section 525 of the act to clarify the authority of the President, after

June 30, 1955, to transfer to any agency or officer of the United States, or to modify or abolish any function, office, or entity of the Foreign Operations Administration which may have been transferred to another agency on or before June 30, 1955.

The second clause of the proposed amendment provides that the authority conferred on the President by the second sentence of section 525 shall be exercised only in accordance with applicable rules and regulations relating to civil service and veterans' preference.

Subsection (c)—Foreign Service officers

This subsection authorizes a technical amendment to section 526 of the Mutual Security Act of 1954, which authorizes special missions and staffs and provides for the appointment by the President of chiefs and deputy chiefs of such missions or staffs. The amendment would clarify the authority of the President to appoint Foreign Service officers to such positions without prejudice to the career status of persons so appointed. The amendment confirms the applicability to Foreign Service officers who accept such appointments of the provisions of section 571 of the Foreign Service Act of 1946, as amended. Under these provisions such Foreign Service officers would, for instance, receive for the duration of their assignment as mission chiefs or deputy mission chiefs the pay and other benefits which normally accrue to these positions.

Subsection (d)—Travel allowances

This subsection amends section 530 (a), which provides for the employment of experts and consultants to perform functions under the act, to authorize payment of per diem in lieu of subsistence to experts and consultants on travel status at the rate prescribed in the Standardized Government Travel Regulations when that rate exceeds \$10. As was mentioned previously in connection with section 7 (c), which involves a similar amendment, legislation has been proposed which would raise the standard Government per diem rate above \$10. This amendment will permit payment of that new rate to experts and consultants.

Subsection (e)—Reports

This subsection adds to the reports which the President is required to submit to Congress as to the operation of the Mutual Security Act a report on the use of the President's Fund for Asian Economic Development. It is intended that the report will contain not only precise information on past expenditures and obligations but also, to the extent that the national interest permits, plans and projections for future obligation and expenditure.

SECTION 11—REPEAL AND MISCELLANEOUS PROVISIONS

Subsection (a)

Customs exemption (sec. 544 (c)).—The first paragraph adds a new subsection (c) to section 544 of the act (relating to amendments to other laws) to make permanent the present temporary authority under which Government personnel assigned abroad may, upon their return to the United States, bring into the United States, without payment of import duty or tax, personal and household effects which they have

acquired to meet their needs during their assignments abroad. This exemption was first provided for in the act of June 27, 1942, which specified that the exemption from duty would apply to personal and household effects entering the United States under Government orders during the period from December 8, 1941, to the day following the proclamation of peace by the President. The act of April 4, 1953 (67 Stat. 22), extended the exemption through June 30, 1955. The proposed amendment extends the exemption for another year. The amendment will continue an important benefit for persons serving abroad not only in the mutual security program but also in the other overseas activities of the Government.

H. R. 5560 is now under consideration by the House Ways and Means Committee. It is expected that this bill will contain provisions dealing with this matter based on a careful study of all its aspects by the committee which has responsibility for this type of legislation. The purpose of including this provision in the mutual security legislation is to attempt to assure that this exemption, important to this program as well as other Government operations, does not expire June 30.

Shipping surplus agricultural products (sec. 544 (d)).—This subsection amends Public Law 480, the Agricultural Trade Development and Assistance Act of 1954, by authorizing the President to disregard the requirement contained in section 901 (b) of the Merchant Marine Act of 1936 which requires that 50 percent of the tonnage of agricultural commodities exported under the afore-mentioned act must be shipped on United States-flag vessels. The President is also authorized to disregard similar provisions of any other laws.

The committee believes that the imposition of the 50 percent shipping requirement has seriously impeded the export of United States surplus agricultural commodities to the detriment of United States agriculture as well as the mutual security program. The lifting of these restrictions should result in a substantial increase in consumption of United States farm products abroad.

Subsection (b)

Unexpended balances (sec. 548).—This adds a new section 548 which provides for the carryover of unexpended balances to the same extent as in previous authorizing legislation. It adopts a technique previously used in the mutual security legislation of a single carryover provision instead of substantially repetitive provisions in each authorizing paragraph. Since the fiscal year 1956 authorizing legislation makes a few shifts in categories of aid, the new section provides that unexpended balances which are carried over continue available for the general purposes for which appropriated and may be consolidated with appropriations made available beginning in fiscal year 1956 for the same general purposes under the authority of the act. For example, this section would permit a portion of the funds previously appropriated under section 121 to be consolidated with funds now authorized under section 131 and another portion to be consolidated with funds to be authorized under section 124, etc. The phrase "beginning in fiscal year 1956" reflects the fact that some authorizations are for the appropriation of no-year funds.

The proviso limits the carryover of unexpended balances not yet obligated by June 30, 1955, to a total of \$200 million. Each year since the program began there has always been a large carryover of unobligated funds. This unobligated carryover each year has exceeded the amount that was estimated by the executive branch as anticipated at the time the request for authorization was under consideration by the committee.

The committee was informed in the basic material submitted at the beginning of the presentation that the estimated unobligated and unreserved balance expected June 30, 1955, was to be \$100 million. On June 13 the committee received information that the estimated unobligated balances would exceed the \$200 million limit contained in the Senate bill. The committee received a memorandum on June 21, stating that the unobligated carryover of military funds would be "some \$600 million," an increase of \$500 million over the original estimate.

Rather than rework its authorizations at so late a date in recognition of this increased availability of funds for commitment in 1956, the committee decided to retain the \$200 million limitation in the Senate bill which apparently will bring the 1956 funds more nearly into line with the original estimates.

Statement of congressional policy (sec. 549).—As amended by the committee, this section contains a proposed amendment adding two new subsections (sec. 549 (a) and (b)) on congressional policy.

Subsection (a) states the congressional policy that those nations of Western Europe that have been assisted in their economic recovery and rehabilitation through mutual security programs and thus have been able to regain their military strength, should in the future share to a greater extent the financial burden of providing aid to those other friendly nations of the world who need assistance in order to contribute to the security of the free world.

The concept of mutuality ingrained in the mutual security program does not require the United States to continue to shoulder the major portion of free-world responsibility. The nations of Western Europe are to be commended for their rapid recovery and rehabilitation, due in part to economic and other forms of assistance by the United States, and in part to their own determination, sacrifices, and efforts. Thus, they are in position to assume a greater share of the burden of financial aid to the free world which, up to now, has been borne in large measure by the United States. This greater sharing of the burden would carry the mutual security program to its logical conclusion, that is, to help nations to help themselves so that they might in turn help other nations of the free world who require such assistance.

Subsection (b) states the congressional policy that mutual security assistance shall be administered so as to assist other peoples in their efforts to free themselves from colonialism or other forms of domination under circumstances enabling them to assume an equal station among the free nations of the world. This is in keeping with the history of our Nation and the principles we have constantly proclaimed.

SECTION 12—CONGRESSIONAL POLICY ON THE COMMUNIST REGIME IN CHINA

The final section of the bill, added by the committee, reaffirms and restates congressional policy, as expressed in section 101 of the Mutual Security Act of 1954, against the recognition of the Communist regime in China to represent China in the United Nations. The Communist regime in China has consistently demonstrated its unwillingness to fulfill the obligations contained in the Charter of the United Nations. It would be inconsistent with, and indeed in violation of, the principles of the Charter to admit the Chinese Red regime to represent China in the United Nations.

At the very time that the 10th anniversary of the United Nations is being celebrated in San Francisco and while other top-level conferences and conversations are being held on major problems affecting the peace and security of the world, it is highly important to reassure our friends in free Asia that the United States has no intention of relaxing its policy in seeking a solution to those problems. At the same time, it is equally important to make clear to our allies in other areas of the world and to the executive branch of our Government the unmistakable continued conviction of the United States with respect to the Communist regime in China.

INVESTMENT GUARANTY PROGRAM

The committee has in the past emphasized the importance which it attaches to the private enterprise provisions of the mutual security legislation. It repeats that emphasis here. An essential role of private enterprise in mutual security is the investment guaranty program, which is a worldwide program and not restricted to those countries receiving assistance under this act. Section 413 (b) (4) (G) of the mutual security law contains the following mandate:

The guaranty program authorized by this paragraph shall be used to the maximum practicable extent and shall be administered under broad criteria so as to facilitate and increase the participation of private enterprise in achieving any of the purposes of this Act.

The committee is not satisfied that "broad criteria" have been applied by the executive branch to the guaranty provisions nor that the participation of private enterprise is being facilitated or increased to the maximum extent practicable. From testimony and other evidence before the committee it is clear that the interpretation placed by the executive branch on the type of investment covered has been unduly narrow, contrary to the intent of Congress. The committee, which originally drafted these provisions, states that it has always been its intent and is now its intent that the executive branch exercise the utmost imagination and effort to expand the investment guaranty program beyond this narrow and unintended concept to include indirect investments as well as direct investments.

The committee notes with some concern that no guaranty contracts have been entered into covering investment in any Latin American country, although United States agreements have been negotiated with several countries in the hemisphere.

The committee expects this program to be administered effectively and with the principle firmly in mind that private enterprise is an important and permanent arm of, and under, the mutual security program.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as passed by the Senate, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

MUTUAL SECURITY ACT OF 1954

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Mutual Security Act of 1954".

TITLE I—MUTUAL DEFENSE ASSISTANCE

CHAPTER 1—MILITARY ASSISTANCE

SEC. 101. PURPOSE OF CHAPTER.—The Congress of the United States reaffirms the policy of the United States to achieve international peace and security through the United Nations so that armed force shall not be used except in the common defense. The Congress hereby finds that the efforts of the United States and other nations to promote peace and security require additional measures of support based upon the principle of continuous and effective self-help and mutual aid. It is the purpose of this chapter to authorize measures in the common defense, including the furnishing of military assistance to friendly nations and international organizations in order to promote the foreign policy, security, and general welfare of the United States and to facilitate the effective participation of such nations in arrangements for individual and collective self-defense. In furnishing such military assistance, it remains the policy of the United States to continue to exert maximum efforts to achieve universal control of weapons of mass destruction and universal regulation and reduction of armaments, including armed forces, under adequate safeguards to protect complying nations against violation and evasion.

The Congress reaffirms its previous expressions favoring the creation by the free peoples of the Far East and the Pacific of a joint organization, consistent with the Charter of the United Nations, to establish a program of self-help and mutual cooperation designed to develop their economic and social well-being, to safeguard basic rights and liberties and to protect their security and independence.

The Congress hereby reiterates its opposition to the seating in the United Nations of the Communist China regime as the representative of China. In the event of the seating of representatives of the Chinese Communist regime in the Security Council or General Assembly of the United Nations, the President is requested to inform the Congress insofar as is compatible with the requirements of national security, of the implications of this action upon the foreign policy of the United States and our foreign relationships, including that created by mem-

bership in the United Nations, together with any recommendations which he may have with respect to the matter.

SEC. 102. GENERAL AUTHORITY.—Military assistance may be furnished under this chapter on a grant or loan basis and upon such other appropriate terms as may be agreed upon, by the procurement from any source and the transfer to eligible nations and international organizations of equipment, materials, and services or by the provision of any service, including the assignment or detail of members of the Armed Forces and other personnel of the Department of Defense solely to assist in an advisory capacity or to perform other duties of a noncombatant nature, including military training or advice.

SEC. 103. AUTHORIZATIONS.—(a) (1) There is hereby authorized to be appropriated to the President, in addition to appropriations authorized by section 104, not to exceed \$1,270,000,000, to carry out the purpose of this chapter; and, in addition, unexpended balances of appropriations for military assistance under each paragraph of the Mutual Security Appropriation Act, 1954 (including the appropriation for mutual special weapons planning), are hereby authorized to be continued available for the purpose of this chapter and to be consolidated with the appropriation authorized by this subsection; all of which is hereby authorized to be continued available through June 30, 1955.

(2) *In addition, there is hereby authorized to be appropriated to the President to carry out the purposes of this chapter not to exceed \$1,278,000,000, to remain available until expended.*

(b) Funds made available pursuant to subsection (a) of this section shall be available for the administrative and operating expenses of carrying out the purpose of this chapter including expenses incident to United States participation in international security organizations.

[(c) Funds made available pursuant to subsection (a) of this section may be used for the procurement of equipment or materials outside the United States unless the President determines that such procurement will result in one or more of the following conditions:

[(1) Adverse effects upon the economy of the United States, with special reference to any areas of labor surplus, or upon the industrial mobilization base, which outweigh the strategic and logistic advantages to the United States of procurement abroad;

[(2) Production of such equipment or materials outside the United States under inadequate safeguards against sabotage or the release to potential enemies of information detrimental to the security of the United States;

[(3) Unjustifiable cost in comparison with procurement in the United States, taking into account transportation costs for delivery overseas; and

[(4) Delays in delivery incompatible with United States defense objectives.]

(c) *When appropriations made pursuant to subsection (a) of this section are used to furnish military assistance on terms of repayment within ten years or earlier such assistance may be furnished, notwithstanding sections 105, 141 and 142, to nations eligible to purchase military equipment, materials, and services under section 106.*

SEC. 104. INFRASTRUCTURE.—(a) The President is authorized to make contributions to infrastructure programs of the North Atlantic

Treaty Organization, in accordance with agreements already made between the member nations, out of funds made available pursuant to this section, or section 103, or chapter IX of the Supplemental Appropriation Act, 1953, of amounts totaling not more than \$780,000,000, less amounts already contributed for such purpose. There is hereby authorized to be appropriated to the President for such purpose, in installments prior to June 30, 1958, not to exceed \$321,000,000, to remain available until expended. Such contributions by the United States shall not exceed its proportionate share, as heretofore agreed upon, of the expenses of such programs.

(b) When the President determines that it is in the interest of the security of the United States to participate in programs for the acquisition or construction of facilities in foreign nations for collective defense other than programs of the North Atlantic Treaty Organization, he may use for such purpose funds made available under section 103 or local currencies made available under section 402 in amounts totaling not more than \$50,000,000.

(c) Notwithstanding section 501 of this Act, no funds other than those referred to in subsections (a) and (b) of this section may be expended for the purposes of this section. No funds shall be expended under this section for rental or purchase of land or for payment of taxes.

SEC. 105. CONDITIONS APPLICABLE TO MILITARY ASSISTANCE. —(a) Military assistance may be furnished under this chapter to any nation whose increased ability to defend itself the President shall have determined to be important to the security of the United States and which is otherwise eligible to receive such assistance. Equipment and materials furnished under this chapter shall be made available solely to maintain the internal security and legitimate self-defense of the recipient nation, or to permit it to participate in the defense of its area or in collective security arrangements and measures consistent with the Charter of the United Nations. The President shall be satisfied that such equipment and materials will not be used to undertake any act of aggression against any nation.

(b) In addition to the authority and limitations contained in the preceding subsection, the following provisions shall apply to particular areas:

[(1) In order to promote an integrated defense of the North Atlantic area and to support concrete measures for political federation, military integration, and economic unification in Europe, equipment and materials of the value programmed for fiscal years 1954 and 1955 for nations signing the treaty constituting the European Defense Community shall, pending the coming into force of the treaty, be delivered only to such of these nations as have ratified the treaty, and have joined together in or are developing collective defense programs in a manner satisfactory to the United States as determined by the President.]

(1) *The Congress welcomes the recent progress in European cooperation and reaffirms its belief in the necessity of further efforts toward political federation, military integration, and economic unification as a means of building strength, establishing security, and preserving peace in the North Atlantic area. In order to provide further encouragement to such efforts, the Congress believes it essential that this Act should be so administered*

as to support concrete measures to promote greater political federation, military integration, and economic unification in Europe.

(2) Military assistance furnished to any nation in the [Near East, Africa, and South Asia] *Near East and Africa* to permit it to participate in the defense of its area shall be furnished only in accordance with plans and arrangements which shall have been found by the President to require the recipient nation to take an important part therein.

(3) In furnishing military assistance in [the Far East and the Pacific] *Asia*, and in carrying out the provisions of section 121 of this Act, the President shall give the fullest assistance, as far as possible directly, to the free peoples in that area, including the Associated States of Cambodia, Laos, and Vietnam, in their creation of a joint organization, consistent with the Charter of the United Nations, to establish a program of self-help and mutual cooperation designed to develop their economic and social well-being, to safeguard basic rights and liberties, and to protect their security and independence.

(4) Military assistance may be furnished to the other American Republics only in accordance with defense plans which shall have been found by the President to require the recipient nation to participate in missions important to the defense of the Western Hemisphere.

(c) The Secretary of Defense shall insure that the value (as determined pursuant to section 545) of equipment, materials, and services heretofore furnished under military assistance programs authorized by Acts repealed by this Act or hereafter furnished pursuant to section 103 (a) to nations or organizations in each of the four areas named in this subsection shall not exceed the total of the funds heretofore made available for military assistance in that area pursuant to Acts repealed by this Act plus the amount herein specified for that area:

(1) In the European area (excluding Greece and Turkey), \$617,500,000.

(2) In the Near East (including Greece and Turkey) [, Africa, and South Asia] *and Africa*, \$181,200,000.

(3) In [the Far East and the Pacific] *Asia*, \$583,600,000.

(4) In the Western Hemisphere, \$13,000,000.

(d) Whenever the President determines it to be necessary for the purpose of this title, equipment, materials, and services of a value not to exceed 15 per centum of the sum of (1) that portion of the unexpended balances referred to in section 103 (a) which was available on June 30, 1954, to furnish assistance in any of the areas named in subsection (c) of this section, and (2) the amount specified in the applicable paragraph of subsection (c) of this section for additional assistance in such area, may be furnished in any other such area or areas, notwithstanding the limitations set forth in subsection (c) of this section. Funds heretofore obligated or programed or hereafter made available solely for the purpose of section 104 (pertaining to infrastructure) shall not be included in the total fixed for each such area. Funds heretofore appropriated for military assistance in a particular geographic area but transferred from such use under section 513 of the Mutual Security Act of 1951, as amended, or under section 403 (c) of the Mutual Defense Assistance Act, shall be included in the total for the area for the benefit of which such transfer was made, and not in the total for the area from which the transfer was made.

SEC. 106. SALE OF MILITARY EQUIPMENT, MATERIALS, AND SERVICES.—(a) The President may, in order to carry out the purposes of this chapter, sell or enter into contracts (without requirement for charge to any appropriation or contract authorization) for the procurement for sale of equipment, materials, or services to any nation or international organization: *Provided*, That prior to the transfer of any such equipment, materials, or services to any nation which has not signed an agreement under section 142 of this Act or joined with the United States in a regional collective defense arrangement, the President shall have received commitments satisfactory to him that such equipment, materials, or services are required for and will be used by such nation solely to maintain its internal security, its legitimate self-defense, or to permit it to participate in the defense of the area of which it is a part, or in collective security arrangements and measures consistent with the Charter of the United Nations, and that it will not undertake any act of aggression against any other state.

(b) Whenever equipment or materials are sold from the stocks of or services are rendered by any United States Government agency to any nation or international organization as provided in subsection (a), such nation or international organization shall first make available the fair value, as determined by the President, of such equipment, materials, or services before delivery or, when the President determines it to be in the best interests of the United States, within sixty days thereafter or, as determined by the President, within a reasonable period not to exceed three years. The fair value for the purpose of this subsection shall not be less than the value as defined in subsection (h) of section 545: *Provided*, That with respect to excess equipment or materials the fair value may not be determined to be less than (i) the minimum value specified in that subsection plus the scrap value, or (ii) the market value, if ascertainable, whichever is the greater. Before a contract for new production is entered into, or rehabilitation work is undertaken, such nation or international organization shall (A) provide the United States with a dependable undertaking to pay the full amount of such contract or the cost of such rehabilitation which will assure the United States against any loss on the contract or rehabilitation work, and (B) shall make funds available in such amounts and at such times as may be necessary to meet the payments required by the contract or the rehabilitation work in advance of the time such payments are due, in addition to the estimated amount of any damages and costs that may accrue from the cancellation of such contract or rehabilitation work.

(c) Sections 105, 141, and 142 shall not apply with respect to assistance furnished under this section.

SEC. 107. WAIVERS OF LAW.—(a) The President may perform any of the functions authorized under this chapter without regard to (1) the provisions of title 10, United States Code, section 1262 (a), and title 34, United States Code, section 546 (e); and (2) such provisions as he may specify of the joint resolution of November 4, 1939 (54 Stat. 4), as amended.

(b) Notwithstanding the provisions of Revised Statutes 1222 (10 U. S. C. 576), personnel of the Department of Defense may be assigned or detailed to any civil office for the purpose of enabling the President to furnish assistance under this Act.

SEC. 108. TRANSFER OF MILITARY EQUIPMENT TO JAPAN.—In addition to any program of military assistance for which funds may be appropriated pursuant to this Act, the President is hereby authorized to transfer to the Government of Japan, until June 30, [1955] 1956, upon such terms and conditions as he may specify, and upon its request, United States military equipment and supplies programed for Japan to meet its internal security requirements for which Department of Defense appropriations were obligated prior to July 1, 1953. No appropriation shall be requested to replace the military equipment and supplies so transferred, and no funds heretofore or hereafter appropriated for the purpose of this chapter shall be available for reimbursement to any United States Government agency on account of any transfer made pursuant to this section.

CHAPTER 2—SOUTHEAST ASIA AND THE WESTERN PACIFIC, AND
DIRECT FORCES SUPPORT

SEC. 121. SOUTHEAST ASIA AND THE WESTERN PACIFIC.—There is hereby authorized to be appropriated to the President for the fiscal year 1955, to be made available on such terms and conditions, including transfer of funds, as he may specify, not to exceed \$700,000,000 for expenses necessary for the support of the forces of nations in the area of Southeast Asia, including the furnishing, as far as possible, of direct assistance to the Associated States of Cambodia, Laos, and Vietnam as well as to the forces of other free nations in the area including those of France located in such Associated States and for other expenditures to accomplish in Southeast Asia and the Western Pacific the policies and purposes declared in this Act. In addition, the unexpended balances of funds allocated from appropriations made pursuant to sections 304 and 540 of the Mutual Security Act of 1951, as amended, for the purpose of support of the forces of the Associated States of Cambodia, Laos, and Vietnam and the forces of France located in the Associated States, are hereby authorized to be continued available for the purpose of this section through June 30, 1955, and to be consolidated with the appropriation authorized by this section. Assistance under this section shall be made available subject to the provisions of sections 141 and 142, except that (1) in the case of assistance to the Associated States of Cambodia, Laos, and Vietnam, and (2) in the case of assistance (not to exceed in the aggregate 10 per centum of the amount appropriated pursuant to this section, excluding unexpended balances of prior appropriations) to other nations, the President may waive specific provisions of section 142 to the extent he may deem necessary in the national interest to carry out the purposes of this Act. The President or such officer as he may designate shall report each instance of such waiver to the Foreign Relations, Appropriations, and Armed Services Committees of the Senate and the Foreign Affairs, Appropriations, and Armed Services Committees of the House of Representatives within thirty days.

It is the sense of the Congress that no part of the funds appropriated under this section shall be used on behalf of governments which are committed by treaty to maintain Communist rule over any defined territory of Asia.

SEC. 122. PRODUCTION FOR FORCES SUPPORT.—There is hereby authorized to be appropriated to the President for the fiscal year

1955, to be made available on such terms and conditions, including transfer of funds, as he may specify, not to exceed \$35,000,000 for manufacture in the United Kingdom of military aircraft required by United Kingdom forces for the defense of the North Atlantic area. In addition, unexpended balances of appropriations made pursuant to section 102 of the Mutual Security Act of 1951, as amended, are hereby authorized to be continued available for their original purposes through June 30, 1955, and the unexpended balance of the appropriation made pursuant to the second clause of that section is authorized to be consolidated with the appropriation authorized by this section.

SEC. 123. COMMON USE ITEMS.—There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$60,000,000 for the provision of any common-use equipment, materials, commodities, or services which are to be used by military forces of nations receiving assistance under chapter 1 of this title. Programs authorized by this section shall be administered in accordance with the provisions of chapter 1 or chapter 3 of this title.

SEC. 124. DIRECT FORCES SUPPORT.—*There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$317,200,000 to provide assistance in the form of direct forces support to be delivered or rendered directly to the military forces of nations eligible for military assistance under chapter 1 of this title. The President may, notwithstanding the provisions of section 501, consolidate all or any part of appropriations made pursuant to this section with appropriations made pursuant to section 103. Programs authorized by this section may be administered in accordance with the provisions of chapter 1 or chapter 3 of this title.*

CHAPTER 3—DEFENSE SUPPORT

SEC. 131. GENERAL AUTHORITY.—(a) The President is hereby authorized to furnish, to nations and organizations eligible to receive military assistance under chapter 1 of this title, or to nations which have joined with the United States in a regional collective defense arrangement, commodities, services, and financial and other assistance designed to sustain and increase military effort. In furnishing such assistance, the President may provide for the procurement and transfer from any source of any commodity or service (including processing, storing, transporting, marine insurance, and repairing) or any technical information and assistance.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1955 to carry out the provisions of this section, not to exceed—

- (1) \$46,000,000 for Europe (excluding Greece and Turkey);
- (2) \$73,000,000 for the Near East (including Greece and Turkey), Africa, and South Asia; and
- (3) \$80,098,195 for the Far East and the Pacific.

In addition, unexpended balances of appropriations heretofore made pursuant to section 541 of the Mutual Security Act of 1951, as amended, are hereby authorized to be continued available for the purpose of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized for the same area by this subsection: *Provided*, That portions of such unexpended balances which have been allocated to assistance for Greece and Turkey shall be consolidated with the appropriation authorized by paragraph (2) of this subsection.

(c) *There is hereby authorized to be appropriated to the President for the fiscal year 1956 to carry out the provisions of this section, not to exceed—*

- (1) \$70,000,000 for Europe (excluding Greece and Turkey);*
- (2) \$102,500,000 for the Near East (including Greece and Turkey) and Africa; and*
- (3) \$827,800,000 for Asia.*

Funds made available for assistance to Korea from appropriations authorized by this section may be used in accordance with the applicable provisions of section 132 of this Act.

(d) In providing assistance in the procurement of commodities in the United States, United States dollars shall be made available for marine insurance on such commodities where such insurance is placed on a competitive basis in accordance with normal trade practice prevailing prior to the outbreak of World War II: Provided, That in the event a participating country, by statute, decree, rule, or regulation, discriminates against any marine insurance company authorized to do business in any State of the United States, then commodities purchased with funds provided hereunder and destined for such country shall be insured in the United States against marine risk with a company or companies authorized to do a marine insurance business in any State of the United States.

SEC. 132. KOREAN PROGRAM.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$205,000,000 to be expended, upon terms and conditions specified by the President, for defense support, relief and rehabilitation, and other necessary assistance (including payment of ocean freight charges on shipments for relief and rehabilitation, without regard to section 409 of this Act) in those parts of Korea which the President shall have determined to be not under Communist control. In addition, unexpended balances of funds heretofore allocated for the purpose of relief and rehabilitation in Korea pursuant to the paragraph entitled "Relief and Rehabilitation in Korea", chapter VII, Supplemental Appropriation Act, 1954, and unobligated balances of the appropriation for "Civilian Relief in Korea", title III, Department of Defense Appropriation Act, 1954, are hereby authorized to be continued available for the purposes of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized by this subsection.

(b) (1) Notwithstanding the provisions of any other law, the President is authorized, at any time prior to twenty-four months from the date of enactment of this Act, to transfer to the Republic of Korea, by sale or charter and on such terms and conditions as he may specify, not more than eight C1-M-AV1 vessels. Any agency of the United States Government owning or operating such vessels is authorized to make such vessels available for the purpose of this subsection: *Provided, That if after investigation it is determined by the President that there are privately owned C1-M-AV1 vessels offered and available for sale by American citizens as defined in section 2 of the Shipping Act, 1916, as amended, at prices equal to or less than those provided for in subsection (b) (2) below, such vessels shall be acquired by an owning or operating agency designated by the President for the purpose of this subsection. Funds made available pursuant to subsection (a) of this section shall be available for the purpose of this subsection.*

(2) Such transfers shall be made at prices determined under section 3 of the Merchant Ship Sales Act of 1946 (50 U. S. C., App. 1736):

Provided, That such vessels shall be placed in class in accordance with minimum requirements of the American Bureau of Shipping by the owning or operating agency, and the expense of placing in class shall be reimbursed to such agency.

(c) There is hereby authorized to be appropriated for the fiscal year 1955 not to exceed \$3,452,615 for making contributions to the United Nations Korean Reconstruction Agency or expenditure through such other agency for relief and rehabilitation in Korea as the President may direct. In addition, the unexpended balance of the appropriation made pursuant to the last sentence of section 303 (a) of the Mutual Security Act of 1951, as amended, is hereby authorized to be continued available for the purpose of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized by this subsection. Sections 141 and 142 of this Act shall not apply with respect to assistance furnished under this subsection.

(d) To the extent necessary to accomplish the purposes of this section (1) assistance may be furnished under this section without regard to the other provisions of this title and (2) the authority provided in section 307 may be exercised in furnishing assistance under subsection (a) of this section.

CHAPTER 4—GENERAL PROVISIONS RELATING TO MUTUAL DEFENSE ASSISTANCE

SEC. 141. CONDITIONS OF ELIGIBILITY FOR ASSISTANCE.—No assistance shall be furnished under this title to any nation or organization unless the President shall have found that furnishing such assistance will strengthen the security of the United States and promote world peace. No such assistance shall be furnished to a nation unless it shall have agreed to the provisions required by section 142, and such additional provisions as the President deems necessary to effectuate the policies and provisions of this title and to safeguard the interests of the United States.

SEC. 142. AGREEMENTS.—No assistance shall be furnished to any nation under this title unless such nation shall have agreed to—

- (1) join in promoting international understanding and good will, and maintaining world peace;
- (2) take such action as may be mutually agreed upon to eliminate causes of international tension;
- (3) fulfill the military obligations, if any, which it has assumed under multilateral or bilateral agreements or treaties to which the United States is a party;
- (4) make, consistent with its political and economic stability, the full contribution permitted by its manpower, resources, facilities, and general economic condition to the development and maintenance of its own defensive strength and the defensive strength of the free world;
- (5) take all reasonable measures which may be needed to develop its defense capacities;
- (6) take appropriate steps to insure the effective utilization of the assistance furnished under this title in furtherance of the policies and purposes of this title;

(7) impose appropriate restrictions against transfer of title to or possession of any equipment and materials, information, or services furnished under chapter 1 of this title, without the consent of the President;

(8) maintain the security of any article, service, or information furnished under chapter 1 of this title;

(9) furnish equipment and materials, services, or other assistance consistent with the Charter of the United Nations, to the United States or to and among other nations to further the policies and purpose of chapter 1 of this title;

(10) permit continuous observation and review by United States representatives of programs of assistance authorized under this title, including the utilization of any such assistance, or provide the United States with full and complete information with respect to these matters, as the President may require; and

(11) *In cases where any commodity is furnished on a grant basis under any provision of this Act other than chapter 1 of title I under arrangements which will result in the accrual of proceeds to the recipient nation from the import or sale thereof, establish a Special Account, and—* *In cases where any commodity is to be furnished on a grant basis under chapter 2 or chapter 3 of title I or under title II of this Act under arrangements which will result in the accrual of proceeds to the recipient nation from the import or sale thereof, such assistance shall not be furnished unless the recipient nation shall have agreed to establish a Special Account, and—*

(i) deposit in the Special Account, under such terms and conditions as may be agreed upon, currency of the recipient nation in amounts equal to such proceeds;

(ii) make available to the United States such portion of the Special Account as may be determined by the President to be necessary for the requirements of the United States: *Provided*, That such portion shall not be less than 10 per centum in the case of any country to which such minimum requirement has been applicable under any Act repealed by this Act; and

(iii) utilize the remainder of the Special Account for programs agreed to by the United States to carry out the purposes for which new funds authorized by this Act would themselves be available.

Any unencumbered balances of funds which remain in the Account upon termination of assistance to such nation under this Act shall be disposed of for such purposes as may, subject to approval by Act or joint resolution of the Congress, be agreed to between such country and the Government of the United States.

TITLE II—DEVELOPMENT ASSISTANCE

SEC. 201. AUTHORIZATION.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955, not to exceed—

(1) \$115,000,000 for assistance designed to promote the economic development of the Near East and Africa, and for other

types of assistance designed to help maintain economic and political stability in the area;

(2) \$75,000,000 for assistance designed to promote the economic development of [South Asia] *Asia* and to assist in maintaining economic and political stability in the area; and

(3) \$9,000,000 for assistance designed to promote economic development in the other American Republics and non-self-governing territories of the Western Hemisphere *and to assist in maintaining economic and political stability in the area.*

Such assistance may be furnished on such terms and conditions as the President may specify [], except that 30 per centum of the funds appropriated pursuant to this subsection shall be available only for furnishing assistance on terms of repayment in accordance with section 505.1.

(b) In addition, unexpended balances of appropriations heretofore made pursuant to sections 206 and 302 (b) of the Mutual Security Act of 1951, as amended, and unexpended balances of funds allocated to the emergency economic aid program for Bolivia are hereby authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriations authorized by paragraphs (1), (2), and (3) of subsection (a) of this section, respectively.

(c) *There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$73,000,000, \$71,000,000, and \$38,000,000 to furnish assistance under paragraphs (1), (2), and (3), respectively, of subsection (a) of this section.*

SEC. 202. ADMINISTRATION. —Except as necessary to accomplish the purposes of section 201, programs of assistance authorized by that section shall be administered in accordance with sections 303 and 308 (relating to technical cooperation). *The authority provided in section 307 may be exercised for purposes of furnishing assistance under section 201.*

TITLE III—TECHNICAL COOPERATION

SEC. 301. DECLARATION OF PURPOSE. —It is the policy of the United States and the purpose of this title to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity and expanding purchasing power.

SEC. 302. GENERAL AUTHORITY AND DEFINITION. —The President is authorized to furnish assistance in accordance with the provisions of this title through bilateral technical cooperation programs. As used in this title, the term “technical cooperation programs” means programs for the international interchange of technical knowledge and skills designed to contribute primarily to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas. Such activities shall be limited to economic, engineering, medical, educational, labor, agricultural,

forestry, fishery, mineral, and fiscal surveys, demonstration, training, and similar projects that serve the purpose of promoting the development of economic resources, productive capacities, and trade of economically underdeveloped areas, and training in public administration. The term "technical cooperation programs" does not include such activities authorized by the United States Information and Educational Exchange Act of 1948 (62 Stat. 6) as are not primarily related to economic development, nor activities undertaken now or hereafter pursuant to the International Aviation Facilities Act (62 Stat. 450), nor activities undertaken now or hereafter in the administration of areas occupied by the United States Armed Forces.

SEC. 303. PREREQUISITES TO ASSISTANCE.—Assistance shall be made available under section 302 of this Act only where the President determines that the nation being assisted—

- (a) pays a fair share of the cost of the program;
- (b) provides all necessary information concerning such program and gives the program full publicity;
- (c) seeks to the maximum extent possible full coordination and integration of technical cooperation programs being carried on in that nation;
- (d) endeavors to make effective use of the results of the program; and
- (e) cooperates with other nations participating in the program in the mutual exchange of technical knowledge and skills.

SEC. 304. AUTHORIZATION.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955, \$88,570,000 for technical cooperation programs in the Near East, Africa, South Asia, and Far East and Pacific, and \$23,500,000 for such programs in Latin America. In addition, unexpended balances of appropriations heretofore made pursuant to section 543 of the Mutual Security Act of 1951, as amended, are authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriation authorized by this section.

(b) *There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$146,500,000 for technical cooperation programs in the Near East and Africa, Asia and Latin America.*

SEC. 305. LIMITATION ON USE OF FUNDS.—Funds made available under section 304 may be expended to furnish assistance in the form of equipment or commodities only where necessary for instruction or demonstration purposes.

SEC. 306. MULTILATERAL TECHNICAL COOPERATION.—As one means of accomplishing the purposes of this title, the United States is authorized to participate in multilateral technical cooperation programs carried on by the United Nations, the Organization of American States their related organizations, and other international organizations, wherever practicable. There is hereby authorized to be appropriated to carry out the purpose of this section, in addition to the amounts authorized by section 304, not to exceed—

- (a) \$17,958,000 for making contributions to the United Nations Expanded Program of Technical Assistance; *in addition,*

\$24,000,000 for the fiscal year 1956 for contributions to the United Nations Expanded Program of Technical Assistance;

(b) \$1,500,000 for making contributions to the technical cooperation program of the Organization of American States; *in addition, \$1,500,000 for the fiscal year 1956 for contributions to the technical cooperation programs of the Organization of American States.*

SEC. 307. ADVANCES AND GRANTS; CONTRACTS.—The President may make advances and grants-in-aid of technical cooperation programs to any person, corporation, or other body of persons or to any foreign government agency. The President may make and perform contracts and agreements in respect of technical cooperation programs on behalf of the United States Government with any person, corporation, or other body of persons however designated, whether within or without the United States, or with any foreign government or foreign government agency. A contract or agreement which entails commitments for the expenditure of funds appropriated pursuant to this title may, subject to any future action of the Congress, run for not to exceed three years.

SEC. 308. INTERNATIONAL DEVELOPMENT ADVISORY BOARD.—There shall be an advisory board, referred to in this section as the "Board", which shall advise and consult with the President, or such other officer as he may designate to administer this title, with respect to general or basic policy matters arising in connection with the operation of programs authorized by this title, title II, and section 413 (b). The Board shall consist of not more than thirteen members appointed by the President, one of whom, by and with the advice and consent of the Senate, shall be appointed by him as chairman. The members of the Board shall be broadly representative of voluntary agencies and other groups interested in the programs, including business, labor, agriculture, public health, and education. All members of the Board shall be citizens of the United States; none except the chairman shall be an officer or an employee of the United States (including any United States Government agency) who as such regularly receives compensation for current services. Members of the Board, other than the chairman if he is an officer of the United States Government, shall receive out of funds made available for the purpose of this title a per diem allowance of \$50 for each day spent away from their homes or regular places of business for the purpose of attendance at meetings of the Board or at conferences held upon the call of the chairman, and in necessary travel, and while so engaged they may be paid actual travel expenses and not to exceed \$10 per diem, *or at the applicable rate prescribed in the Standardized Government Travel Regulations, as amended from time to time, whichever is higher*, in lieu of subsistence and other expenses.

TITLE IV—OTHER PROGRAMS

SEC. 401. SPECIAL FUND.—(a) Of the funds made available under this Act, not to exceed ~~["\$150,000,000"]~~ *\$50,000,000, in addition to the funds authorized to be appropriated under subsection (b) hereof*, may be used in any fiscal year, without regard to the requirements of this Act or any other Act for which funds are authorized by this Act, in furtherance of any of the purposes of such Acts, when the President

determines that such use is important to the security of the United States. Not to exceed \$100,000,000 of the funds available under this section may be expended for any selected persons who are residing in or escapees from the Soviet Union, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, Lithuania, Latvia, and Estonia or the Communist-dominated or Communist-occupied areas of Germany and Austria, or any Communist-dominated or Communist-occupied areas of Asia and any other countries absorbed by the Soviet Union, either to form such persons into elements of the military forces supporting the North Atlantic Treaty Organization or for other purposes, when the President determines that such assistance will contribute to the defense of the North Atlantic area or to the security of the United States. Certification by the President that he has expended amounts under this [section] Act not in excess of \$50,000,000, and that it is inadvisable to specify the nature of such expenditures, shall be deemed a sufficient voucher for such amounts. Not more than \$20,000,000 of the funds available under this section may be allocated to any one nation in any fiscal year.

(b) *There is hereby authorized to be appropriated to the President for the fiscal year 1956 \$100,000,000 for use in accordance with subsection (a) of this section.*

SEC. 402. EARMARKING OF FUNDS.—Of the funds authorized to be made available pursuant to this Act not less than **[\$350,000,000]** \$600,000,000 shall be used *during the fiscal year 1955, and not less than \$300,000,000 shall be used during the fiscal year 1956*, to finance the export and sale for foreign currencies of surplus agricultural commodities or products thereof produced in the United States, in addition to surplus agricultural commodities or products transferred pursuant to the Agricultural Trade Development and Assistance Act of 1954, and in accordance with the standards as to pricing and the use of private trade channels expressed in section 101 of said Act. Foreign currency proceeds accruing from such sales shall be used for the purposes of this Act and with particular emphasis on the purposes of section 104 of the Agricultural Trade Development and Assistance Act of 1954 which are in harmony with the purposes of this Act. Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, the President may use or enter into agreements with friendly nations or organizations of nations to use for such purposes the foreign currencies which accrue to the United States under this section.

SEC. 403. SPECIAL ASSISTANCE IN JOINT CONTROL AREAS.—(a) The President is hereby authorized to furnish commodities, services, and financial and other assistance to nations and areas for which the United States has responsibility *at the time of the enactment of this Act* as a result of participation in joint control arrangements where found by the President to be in the interest of the security of the United States. There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$25,000,000 to carry out this section.

(b) *There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$21,000,000 to carry out this section.*

SEC. 404. RESPONSIBILITIES IN GERMANY.—Upon approval by the Secretary of State, a part of the German currency now or hereafter deposited under the bilateral agreement of December 15, 1949, between

the United States and the Federal Republic of Germany (or any supplementary or succeeding agreement) shall be deposited in the GARIOA (Government and Relief in Occupied Areas) Special Account under the terms of article V of that agreement, and currency which has been or may be deposited in said account, and any portion of funds made available for assistance to the Federal Republic of Germany pursuant to section 403 of this Act, may be used for expenses necessary to meet the responsibilities or objectives of the United States in Germany, including responsibilities arising under the supreme authority assumed by the United States on June 5, 1945, and under contractual arrangements with the Federal Republic of Germany. Expenditures may be made under authority of this section in amounts and under conditions determined by the Secretary of State after consultation with the official primarily responsible for administration of programs under chapter 3 of title I, and without regard to any provision of law which the President determines must be disregarded in order to meet such responsibilities or objectives.

SEC. 405. **MOVEMENT OF MIGRANTS AND REFUGEES** *MIGRANTS, REFUGEES, AND ESCAPEES.*—(a) The President is hereby authorized to continue membership for the United States on the Intergovernmental Committee for European Migration in accordance with its constitution approved in Venice, Italy, on October 19, 1953. For the purpose of assisting in the movement of migrants, there is hereby authorized to be appropriated not to exceed \$11,189,190 for contributions during the calendar year 1955 to the Intergovernmental Committee for European Migration, and for the fiscal year 1956 not to exceed \$12,500,000 for contributions to the Committee, and thereafter such amounts as may be necessary from time to time for the payment by the United States of its contributions to the Committee and all necessary salaries and expenses incident to United States participation in the Committee. In addition, the unexpended balance of the appropriation made pursuant to section 534 of the Mutual Security Act of 1951, as amended, is hereby authorized to be continued available for the purpose of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized in this subsection.

(b) Of the funds made available under this Act, not more than \$800,000 may be used by the President to facilitate the migration to the other American Republics of persons resident in that portion of the Ryukyu Island Archipelago under United States control.

(c) **There is hereby authorized to be appropriated for the fiscal year 1955 not to exceed \$500,000 for contributions to the United Nations Refugee Emergency Fund.** *There is hereby authorized to be appropriated for the fiscal year 1956 not to exceed \$1,400,000 for contributions to the United Nations Refugee Fund.*

(d) *There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$6,000,000 for continuation of activities, including care, training, and resettlement, which have been undertaken for selected escapees under section 401 of this Act.*

SEC. 406. **CHILDREN'S WELFARE.**—(a) There is hereby authorized to be appropriated not to exceed \$13,500,000 for contributions during the fiscal year 1955 to the United Nations Children's Fund.

(b) *There is hereby authorized to be appropriated for the fiscal year 1956 not to exceed \$14,500,000 for contributions to the United Nations Children's Fund.*

SEC. 407. PALESTINE REFUGEES IN THE NEAR EAST.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955, not to exceed \$30,000,000, to be used to make contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East. In addition, the unexpended balance of the appropriation made for the Palestine refugee program in the Mutual Security Appropriation Act, 1954, is hereby authorized to be continued available for the purpose of this section through June 30, 1955. Whenever the President shall determine that it would more effectively contribute to the relief, rehabilitation, and resettlement of Palestine refugees in the Near East, he may expend any part of the funds made available pursuant to this section through any other agency he may designate.

(b) *There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$65,000,000 to be used to make contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East.*

SEC. 408. NORTH ATLANTIC TREATY ORGANIZATION.—(a) In order to provide for United States participation in the North Atlantic Treaty Organization, there is hereby authorized to be appropriated for the fiscal year 1955 not to exceed \$3,200,000, and for the fiscal year 1956 not to exceed \$3,700,000, for payment by the United States of its share of the expenses of the Organization, and thereafter such amounts as may be necessary from time to time for the payment by the United States of its share of the expenses of the Organization and all necessary salaries and expenses of the United States permanent representative to the Organization, of such persons as may be appointed to represent the United States in the subsidiary bodies of the Organization or in any multilateral organization which participates in achieving the aims of the North Atlantic Treaty, and of their appropriate staffs, and the expenses of participation in meetings of such organizations, including salaries, expenses, and allowances of personnel and dependents as authorized by the Foreign Service Act of 1946, as amended (22 U. S. C. 801), and allowances and expenses as provided in section 6 of the Act of July 30, 1946 (22 U. S. C. 287r).

(b) The United States permanent representative to the North Atlantic Treaty Organization shall be appointed by the President by and with the advice and consent of the Senate and shall hold office at the pleasure of the President. Such representative shall have the rank and status of ambassador extraordinary and plenipotentiary and shall be a chief of mission, class 1, within the meaning of the Foreign Service Act of 1946, as amended (22 U. S. C. 801).

(c) Persons detailed to the international staff of the North Atlantic Treaty Organization in accordance with section 529 of this Act who are appointed as Foreign Service Reserve officers may serve for periods of more than four years notwithstanding the limitation in section 522 of the Foreign Service Act of 1946, as amended (22 U. S. C. 922).

SEC. 409. OCEAN FREIGHT CHARGES.—(a) In order to further the efficient use of United States voluntary contributions for relief and rehabilitation in nations and areas eligible for assistance under this Act, the President may pay ocean freight charges from United States ports to designated ports of entry of such nations and areas on shipments by United States voluntary nonprofit relief agencies registered

with and approved by the Advisory Committee on Voluntary Foreign Aid and shipments by the American Red Cross.

(b) Where practicable the President shall make arrangements with the receiving nation for free entry of such shipments and for the making available by that nation of local currencies for the purpose of defraying the transportation cost of such shipments from the port of entry of the receiving nation to the designated shipping point of the consignee.

(c) There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$4,400,000 to carry out the purposes of this section; and, in addition, unexpended balances of appropriations heretofore made pursuant to section 535 of the Mutual Security Act of 1951, as amended, are authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriation authorized in this section. *There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$2,000,000 to carry out the purposes of this section.*

(d) **[In addition, any funds made available under this Act may be used, in amounts determined by the President, to pay ocean freight charges on shipments of surplus agricultural commodities, including commodities made available pursuant to any Act for the disposal abroad of United States agricultural surpluses.]** *There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$13,000,000 to pay ocean freight charges on shipments of surplus agricultural commodities, including commodities made available pursuant to any Act for the disposal abroad of United States agricultural surpluses. In addition, any funds made available under this Act may be used, in amounts determined by the President, for the purposes of this subsection.*

SEC. 410. CONTROL ACT EXPENSES.—There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$1,300,000, and for the fiscal year 1956 not to exceed \$1,175,000, for carrying out the objectives of the Mutual Defense Assistance Control Act of 1951 (22 U. S. C. 1611). In addition, in accordance with section 303 of that Act, funds made available for carrying out chapter 1 of title I of this Act shall be available for carrying out the purpose of this section in such amounts as the President may direct.

SEC. 411. **[ADMINISTRATIVE EXPENSES]** *ADMINISTRATIVE AND OTHER EXPENSES.*—(a) Whenever possible, the expenses of administration of this Act shall be paid for in the currency of the nation where the expense is incurred.

(b) **[There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$34,700,000 for all necessary administrative expenses incident to carrying out the provisions of this Act other than chapter 1 of title I, including expenses for compensation, allowances and travel of personnel, including Foreign Service personnel whose services are utilized primarily for the purposes of this Act, and, without regard to the provisions of any other law, for printing and binding, and for expenditures outside the continental limits of the United States for the procurement of supplies and services and for other administrative purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of Government funds as may be necessary to accomplish the purposes of this Act.]** *There is*

hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$34,700,000, and for the fiscal year 1956 not to exceed \$35,225,000, for all necessary administrative expenses incident to carrying out the provisions of this Act other than chapter 1 of title I and section 124.

(c) *Funds made available for the purposes of this Act may be used for compensation, allowances, and travel of personnel, including Foreign Service personnel whose services are utilized primarily for the purposes of this Act, and without regard to the provisions of any other law, for printing and binding, and for expenditures outside the continental limits of the United States for the procurement of supplies and services and for other administrative and operating purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of government funds as may be necessary to accomplish the purposes of this Act.*

SEC. 412. CHINESE AND KOREAN STUDENTS.—Funds heretofore allocated to the Secretary of State pursuant to the last proviso of section 202 of the China Area Aid Act of 1950 (22 U. S. C. 1547) shall continue to be available until expended, under such regulations as the Secretary of State may prescribe, using private agencies to the maximum extent practicable, for necessary expenses of tuition, subsistence, transportation, and emergency medical care for selected citizens of China and of Korea for studying or teaching in accredited colleges, universities, or other educational institutions in the United States approved by the Secretary of State for the purpose, or for research and related academic and technical activities in the United States, and such selected citizens of China who have been admitted for the purpose of study in the United States shall be granted permission to accept employment upon application filed with the Commissioner of Immigration and Naturalization pursuant to regulations promulgated by the Attorney General.

SEC. 413. ENCOURAGEMENT OF FREE ENTERPRISE AND PRIVATE PARTICIPATION.—(a) The Congress recognizes the vital role of free enterprise in achieving rising levels of production and standards of living essential to the economic progress and defensive strength of the free world. Accordingly, it is declared to be the policy of the United States to encourage the efforts of other free nations to increase the flow of international trade, to foster private initiative and competition, to discourage monopolistic practices, to improve the technical efficiency of their industry, agriculture and commerce, and to strengthen free labor unions; and to encourage the contribution of United States enterprise toward the economic strength of other free nations, through private trade and investment abroad, private participation in the programs carried out under this Act (including the use of private trade channels to the maximum extent practicable in carrying out such programs), and exchange of ideas and technical information on the matters covered by this section.

(b) In order to encourage and facilitate participation by private enterprise to the maximum extent practicable in achieving any of the purposes of this Act, the President—

(1) shall make arrangements to find and draw the attention of private enterprise to opportunities for investment and development in other free nations;

(2) shall accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provisions to encourage and facilitate the flow of private investment to nations participating in programs under this Act;

(3) shall, consistent with the security and best interests of the United States, seek compliance by other countries or a dependent area of any country with all treaties for commerce and trade and taxes and shall take all reasonable measures under this Act or other authority to secure compliance therewith and to assist United States citizens in obtaining just compensation for losses sustained by them or payments exacted from them as a result of measures taken or imposed by any country or dependent area thereof in violation of any such treaty; and

(4) may make, until June 30, 1957, under rules and regulations prescribed by him, guaranties to any person of investments in connection with projects, including expansion, modernization, or development of existing enterprises, in any nation with which the United States has agreed to institute the guaranty program: *Provided, That -*

(A) such projects shall be approved by the President as furthering any of the purposes of this Act, and by the nation concerned;

(B) the guaranty to any person shall be limited to assuring any or all of the following:

(i) the transfer into United States dollars of other currencies, or credits in such currencies, received by such person as earnings or profits from the approved project, as repayment or return of the investment therein, in whole or in part, or as compensation for the sale or disposition of all or any part thereof;

(ii) the compensation in United States dollars for loss of all or any part of the investment in the approved project which shall be found by the President to have been lost to such person by reason of expropriation or confiscation by action of the government of a foreign nation;

(C) when any payment is made to any person pursuant to a guaranty as hereinbefore described, the currency, credits, assets, or investment on account of which such payment is made shall become the property of the United States Government, and the United States Government shall be subrogated to any right, title, claim or cause of action existing in connection therewith;

(D) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the President plus actual earnings or profits on said project to the extent provided by such guaranty, and shall be limited to a term not exceeding twenty years from the date of issuance;

(E) a fee shall be charged in an amount not exceeding 1 per centum per annum of the amount of each guaranty under clause (i) of subparagraph (B), and not exceeding 4 per centum per annum of the amount of each guaranty under clause (ii) of such subparagraph, and all fees collected

hereunder shall be available for expenditure in discharge of liabilities under guaranties made under this section until such time as all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this section;

(F) the President is authorized to issue guaranties up to a total of \$200,000,000: *Provided*, That any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection therewith has been released, discharged, or otherwise terminated, shall be available for allocation to other guaranties, the foregoing limitation notwithstanding. Any payments made to discharge liabilities under guaranties issued under this subsection shall be paid out of fees collected under subparagraph (E) as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of notes which have been issued under authority of paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, when necessary to discharge liabilities under any such guaranty;

(G) the guaranty program authorized by this paragraph shall be used to the maximum practicable extent and shall be administered under broad criteria so as to facilitate and increase the participation of private enterprise in achieving any of the purposes of this Act;

(H) as used in this paragraph—

(i) the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States, and

(ii) the term "investment" includes any contribution of capital goods, materials, equipment, services, patents, processes, or techniques by any person in the form of (1) a loan or loans to an approved project, (2) the purchase of a share of ownership in any such project, (3) participation in royalties, earnings, or profits of any such project, and (4) the furnishing of capital goods items and related services pursuant to a contract providing for payment in whole or in part after the end of the fiscal year in which the guaranty of such investment is made.

SEC. 414. MUNITIONS CONTROL.—(a) The President is authorized to control, in furtherance of world peace and the security and foreign policy of the United States, the export and import of arms, ammunition, and implements of war, including technical data relating thereto, other than by a United States Government agency. The President is authorized to designate those articles which shall be considered as arms, ammunition, and implements of war, including technical data relating thereto, for the purposes of this section.

(b) As prescribed in regulations issued under this section, every person who engages in the business of manufacturing, exporting, or importing any arms, ammunition, or implements of war, including technical data relating thereto, designated by the President under subsection (a) shall register with the United States Government

agency charged with the administration of this section, and, in addition, shall pay a registration fee which shall be prescribed by such regulations.

(c) Any person who willfully violates any provision of this section or any rule or regulation issued under this section, or who willfully, in a registration or license application, makes any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, shall upon conviction be fined not more than \$25,000 or imprisoned not more than two years, or both.

SEC. 415. ASSISTANCE TO INTERNATIONAL ORGANIZATION.—Whenever it will assist in achieving purposes declared in this Act, the President is authorized to use funds available under sections 131 and 403 in order to furnish assistance, including by transfer of funds, directly to the North Atlantic Treaty Organization, for a strategic stockpile of foodstuffs and other supplies, or for other purposes.

SEC. 416. FACILITATION AND ENCOURAGEMENT OF TRAVEL.—The President, through such officer or commission as he may designate, shall facilitate and encourage, without cost to the United States except for administrative expenses, the promotion and development of travel by citizens of the United States to and within countries receiving assistance under this Act and travel by citizens of such countries to the United States.

SEC. 417. IRISH COUNTERPART.—Pursuant to section 115 (b) (6) of the Economic Cooperation Act of 1948; as amended, the disposition within Ireland of the unencumbered balance, in the amount of approximately 6,000,000 Irish pounds, of the special account of Irish funds established under article IV of the Economic Cooperation Agreement between the United States of America and Ireland, dated June 28, 1948, for the purposes of—

- (1) scholarship exchange between the United States and Ireland;
- (2) other programs and projects (including the establishment of an Agricultural Institute) to improve and develop the agricultural production and marketing potential of Ireland and to increase the production and efficiency of Irish industry; and
- (3) development programs and projects in aid of the foregoing objectives,

is hereby approved, as provided in the agreement between the Government of the United States of America and the Government of Ireland, dated June 17, 1954.

SEC. 418. *PRESIDENT'S FUND FOR ASIAN ECONOMIC DEVELOPMENT.*—
(a) *The Congress of the United States reaffirms the policy of the United States to contribute to international peace and security through assisting the peoples of free Asia in their efforts to attain economic and social well-being, to safeguard basic rights and liberties, and to protect their security and independence. The Congress hereby recognizes that fundamental to these goals is an expanding economic growth of the free Asia area based upon self-help and mutual cooperation and full utilization of already existing resources and knowledge. The Congress expresses the willingness of the people of the United States to support the foregoing objectives to the extent to which the countries in the area continue to make effective use of their own resources and external resources otherwise available to them.*

(b) *In order to carry out the purposes of this section, there is hereby authorized to be established a fund, to be known as the "President's Fund for Asian Economic Development" (hereinafter referred to as "the Fund"), and there is hereby authorized to be appropriated to the President for the Fund an amount of \$200,000,000, such amount to remain available until June 30, 1958.*

(c) *The President is authorized to utilize the appropriations made available for the Fund to accomplish in the free Asian area the policies and purposes declared in this Act and to disburse them on such terms and conditions, including transfer of funds, as he may specify to any person, corporation, or other body of persons however designated, or to any foreign government, agency, or organization or group of governments or agencies as may be appropriate: Provided, however, That not less than 50 per centum of the funds appropriated pursuant to this section shall be available only for furnishing assistance on terms of repayment in accordance with the provisions of section 505, and not more than 25 per centum of said funds may be allocated for assistance to any one nation.*

(d) *In utilizing the Fund the President shall give preference to projects or programs that will clearly contribute to promoting greater economic strength in the area as a whole or among a group or groups of countries of the area.*

TITLE V—MISCELLANEOUS PROVISIONS

CHAPTER 1. GENERAL PROVISIONS

SEC. 501. TRANSFERABILITY OF FUNDS.—Whenever the President determines it to be necessary for the purposes of this Act, not to exceed 10 per centum of the funds made available pursuant to any provision of this Act may be transferred *in any fiscal year* to and consolidated with the funds made available pursuant to any other provision of this Act, and may be used for any of the purposes for which such funds may be used, except that the total in the provision for the benefit of which the transfer is made shall not be increased *in any fiscal year* by more than 20 per centum of the amount made available for such provision pursuant to this Act. Funds transferred under this section to furnish military assistance under chapter 1 of title I may be expended without regard to the area limits imposed by section 105 (c). **Of any funds transferred under this section for the purpose of furnishing assistance under section 201, 30 per centum shall be available only for furnishing assistance on terms of repayment in accordance with section 505. Not less than 50 per centum of any assistance furnished under paragraph (1), (2), or (3) of section 201 (a) with funds transferred under this section shall be furnished on terms of repayment in accordance with section 505.**

SEC. 502. USE OF FOREIGN CURRENCY.—(a) Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, proceeds of sales made under section 550 of the Mutual Security Act of 1951, as amended, shall remain available and shall be used for any of the purposes of this Act, giving particular regard to the following purposes:—

- (1) for providing military assistance to nations or mutual defense organizations eligible to receive assistance under this Act;

- (2) for purchase of goods or services in friendly nations;
- (3) for loans, under applicable provisions of this Act, to increase production of goods or services, including strategic materials, needed in any nation with which an agreement was negotiated, or in other friendly nations, with the authority to use currencies received in repayment for the purposes stated in this section or for deposit to the general account of the Treasury of the United States;
- (4) for developing new markets on a mutually beneficial basis;
- (5) for grants-in-aid to increase production for domestic needs in friendly countries; and
- (6) for purchasing materials for United States stockpiles.

(b) Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, local currencies owned by the United States shall be made available to appropriate committees of the Congress engaged in carrying out their duties under section 136 of the Legislative Reorganization Act of 1946, as amended, and to the Joint Committee on Atomic Energy and the Joint Committee on the Economic Report, for their local currency expenses: *Provided*, That any such committee of the Congress which uses local currency shall make a full report thereof to the Committee on House Administration of the House of Representatives (if the committee using such currency is a committee of the House of Representatives) or to the Committee on Rules and Administration of the Senate (if the committee using such currency is a committee of the Senate or a joint committee of the Congress), showing the total amount of such currency so used in each country and the purposes for which it was expended.

SEC. 503. TERMINATION OF ASSISTANCE.--(a) If the President determines that the furnishing of assistance to any nation under any provision of this Act--

- (1) is no longer consistent with the national interest or security or the foreign policy of the United States; or
- (2) would no longer contribute effectively to the purposes for which such assistance is furnished; or
- (3) is no longer consistent with the obligations and responsibilities of the United States under the Charter of the United Nations,

he shall terminate all or part of any assistance furnished pursuant to this Act. If the President determines that any nation which is receiving assistance under chapter 1 of title I of this Act is not making its full contribution to its own defense or to the defense of the area of which it is a part, he shall terminate all or part of such assistance. Assistance to any nation under any provision of this Act may, unless sooner terminated by the President, be terminated by concurrent resolution. Funds made available under this Act shall remain available for twelve months from the date of termination under this subsection for the necessary expenses of liquidating assistance programs.

[(b) (1) After June 30, 1955, none of the authority conferred by this Act may be exercised for the purpose of carrying out any function authorized by title II; except that during the twelve months following such date (i) funds which have been obligated on or before that date shall remain available for expenditure, (ii) equipment, materials, commodities, and services with respect to which funds have been obligated on or before such date for procurement for, shipment

to, or delivery in a recipient country may be transferred to such country, and (iii) funds appropriated under authority of this Act may be obligated (A) for the necessary expenses of procurement, shipment, delivery, and other activities essential to such transfer and (B) for the necessary expenses of liquidating operations incident to such functions.

[(2) At such time as the President shall find appropriate, the powers, duties, and authority conferred by this Act with respect to such function may be transferred for the purpose of liquidation to such other United States Government agencies as the President shall specify, and the relevant funds, records, property, and personnel may be transferred to the agencies to which the related functions are transferred.]

[(c)] (b) Unless sooner abolished under section 525, the Foreign Operations Administration shall cease to exist at the close of June 30, 1955.

SEC. 504. SMALL BUSINESS.—(a) Insofar as practicable and to the maximum extent consistent with the accomplishment of the purposes of this Act, the President shall assist American small business to participate equitably in the furnishing of commodities and services financed with funds authorized under titles II, III, and IV, and chapters 2 and 3 of title I, of this Act—

(1) by causing to be made available to suppliers in the United States and particularly to small independent enterprises, information, as far in advance as possible, with respect to purchases proposed to be financed with such funds.

(2) by causing to be made available to prospective purchasers in the nations receiving assistance under this Act information as to commodities and services produced by small independent enterprises in the United States, and

(3) by providing for additional services to give small business better opportunities to participate in the furnishing of commodities and services financed with such funds.

(b) There shall be an Office of Small Business, headed by a Special Assistant for Small Business, in such United States Government agency as the President may direct, to assist in carrying out the provisions of subsection (a) of this section.

(c) The Secretary of Defense shall assure that there is made available to suppliers in the United States, and particularly to small independent enterprises, information with respect to purchases made by the Department of Defense pursuant to chapter 1 of title I, such information to be furnished as far in advance as possible.

SEC. 505. LOAN ASSISTANCE AND SALES.—(a) Assistance under this Act may be furnished on a grant basis or on such terms, including cash, credit, or other terms of repayment (including repayment in foreign currencies or by transfer to the United States of materials required for stockpiling or other purposes) as may be determined to be best suited to the achievement of the purposes of this Act. *Whenever commodities or services are sold for foreign currencies the President, notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, may use or enter into arrangements with friendly nations or organizations of nations to use such currencies for the purposes for which the funds providing the commodities or services which generated the currencies were appropriated.*

(b) Of the funds made available pursuant to this Act and foreign currencies accruing to the United States under section 402, the equivalent of not less than \$200,000,000 shall be available only for the furnishing of assistance on terms of repayment. Funds for the purpose of furnishing assistance on terms of repayment shall be allocated to the Export-Import Bank of Washington, which shall, notwithstanding the provisions of the Export-Import Bank Act of 1945 (59 Stat. 526), as amended, make and administer the credit on such terms. Credits made by the Export-Import Bank of Washington with funds so allocated to it shall not be considered in determining whether the Bank has outstanding at any one time loans and guaranties to the extent of the limitation imposed by section 7 of the Export-Import Bank Act of 1945 (59 Stat. 529), as amended. Amounts received in repayment of principal and interest on any loan made under this section shall be held by the Treasury to be used for such purposes, including further loans, as may be authorized from time to time by Congress. Amounts received in repayment of principal and interest on any credits made under paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, shall be deposited into miscellaneous receipts of the Treasury, except that, to the extent required for such purpose, amounts received in repayment of principal and interest on any credits made out of funds realized from the sale of notes heretofore authorized to be issued for the purpose of financing assistance on a credit basis under paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, shall be deposited into the Treasury for the purpose of the retirement of such notes.

SEC. 506. PATENTS AND TECHNICAL INFORMATION.—(a) As used in this section—

(1) the term "invention" means an invention or discovery covered by a patent issued by the United States; and

(2) the term "information" means information originated by or peculiarly within the knowledge of the owner thereof and those in privity with him, which is not available to the public and is subject to protection as property under recognized legal principles.

(b) Whenever, in connection with the furnishing of any assistance in furtherance of the purposes of this Act—

(1) use within the United States, without authorization by the owner, shall be made of an invention; or

(2) damage to the owner shall result from the disclosure of information by reason of acts of the United States or its officers or employees,

the exclusive remedy of the owner of such invention or information shall be by suit against the United States in the Court of Claims or in the District Court of the United States for the district in which such owner is a resident for reasonable and entire compensation for unauthorized use or disclosure. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by any defendant in a like action.

(c) Before such suit against the United States has been instituted, the head of the appropriate United States Government agency, which has furnished any assistance in furtherance of the purposes of this Act, is authorized and empowered to enter into an agreement with the

claimant, in full settlement and compromise of any claim against the United States hereunder.

(d) The provisions of the last sentence of section 1498 of title 28 of the United States Code shall apply to inventions and information covered by this section.

(e) Except as otherwise provided by law, no recovery shall be had for any infringement of a patent committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action, except that the period between the date of receipt by the Government of a written claim under subsection (c) above for compensation for infringement of a patent and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as part of the six years, unless suit is brought before the last-mentioned date.

SEC. 507. AVAILABILITY OF FUNDS.—Except as otherwise provided in sections 104 (pertaining to infrastructure), 405 (pertaining to movement of migrants), 408 (a) (pertaining to North Atlantic Treaty Organization), and 412 (pertaining to Chinese and Korean students), funds shall be available to carry out the provisions of this Act (other than sections 414 and 416) as authorized and appropriated to the President each fiscal year.

SEC. 508. LIMITATION ON FUNDS FOR PROPAGANDA.—None of the funds herein authorized to be appropriated nor any counterpart funds shall be used to pay for personal services or printing, or for other expenses of the dissemination within the United States of general propaganda in support of the mutual security program, or to pay the travel or other expenses outside the United States of any citizen or group of citizens of the United States for the purpose of publicizing such program within the United States.

SEC. 509. SHIPPING ON UNITED STATES VESSELS.—Such steps as may be necessary shall be taken to assure, as far as practicable, that at least 50 per centum of the gross tonnage of commodities, materials and equipment procured out of funds made available under sections 103, 123, 131, 132 (a), 201, 304, and 403 of this Act and transported to or from the United States on ocean vessels, computed separately for dry bulk carriers, dry cargo liner and tanker services and computed separately for section 103, and for sections 123, 131, 132 (a), 201, 304, and 403 (taken together) is so transported on United States flag commercial vessels to the extent such vessels are available at market rates for United States flag commercial vessels provided such rates are fair and reasonable; and, in the administration of this provision, steps shall be taken, insofar as practicable and consistent with the purposes of this Act, to secure a fair and reasonable participation by United States flag commercial vessels in cargoes by geographic area. *The ocean transportation between foreign countries of commodities, materials, and equipment procured out of local currency funds made available or derived from funds made available under this Act shall not be governed by the provisions of section 901 (b) of the Merchant Marine Act of 1936, or any other law relating to the ocean transportation of commodities, materials and equipment on United States flag vessels.*

SEC. 510. PURCHASE OF COMMODITIES.—No funds made available under title II or chapter 3 of title I of this Act shall be used for the purchase in bulk of any commodities at prices higher than the market price prevailing in the United States at the time of the purchase

adjusted for differences in the cost of transportation to destination, quality, and terms of payment. A bulk purchase within the meaning of this section does not include the purchase of raw cotton in bales. Funds made available under title II or chapter 3 of title I of this Act may be used for the procurement of commodities outside the United States unless the President determines that such procurement will result in adverse effects upon the economy of the United States, with special reference to any areas of labor surplus, or upon the industrial mobilization base, which outweigh the economic advantages to the United States of less costly procurement abroad. In providing for the procurement of any surplus agricultural commodity for transfer by grant under this Act to any recipient nation in accordance with the requirements of such nation, the President shall, insofar as practicable and where in furtherance of the purposes of this Act, authorize the procurement of such surplus agricultural commodity only within the United States except to the extent that any such surplus agricultural commodity is not available in the United States in sufficient quantities to supply the requirements of the nations receiving assistance under this Act.

SEC. 511. RETENTION AND RETURN OF EQUIPMENT.—(a) No equipment or materials may be transferred under title I out of military stocks if the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such transfer would be detrimental to the national security of the United States, or that such equipment or materials are needed by the reserve components of the Armed Forces to meet their training requirements.

(b) Any equipment, materials, or commodities procured to carry out this Act shall be retained by, or, upon reimbursement, transferred to and for the use of, such United States Government agency as the President may determine in lieu of being disposed of to a foreign nation or international organization whenever in the judgment of the President the best interests of the United States will be served thereby, or whenever such retention is called for by concurrent resolution. Any commodities so retained may be disposed of without regard to provisions of law relating to the disposal of Government-owned property, when necessary to prevent spoilage or wastage of such commodities or to conserve the usefulness thereof. Funds realized from any such disposal or transfer shall revert to the respective appropriation or appropriations out of which funds were expended for the procurement of such equipment, materials, or commodities or to appropriations currently available for such procurement.

(c) The President shall make appropriate arrangements with each nation receiving equipment or materials under chapter 1 of title I (other than equipment or materials sold under the provisions of section 106) for the return to the United States (1) for salvage or scrap, or (2) for such other disposition as the President shall deem to be in the interest of mutual security, of any such equipment or materials which are no longer required for the purposes for which originally made available.

SEC. 512. PENAL PROVISION.—Whoever offers or gives to anyone who is or in the preceding two years has been an employee or officer of the United States any commission, payment, or gift, in connection with the procurement of equipment, materials, commodities, or services under this Act in connection with which procurement said officer,

employee, former officer or former employee is or was employed or performed duty or took any action during such employment, and whoever, being or having been an employee or officer of the United States in the preceding two years, solicits, accepts, or offers to accept any commission, payment, or gift in connection with the procurement of equipment, materials, commodities, or services under this Act in connection with which procurement said officer, employee, former officer or former employee is or was employed or performed duty or took any action during such employment, shall upon conviction thereof be subject to a fine of not to exceed \$10,000 or imprisonment for not to exceed three years, or both: *Provided*, That this section shall not apply to persons appointed pursuant to sections 308 or 530 (a) of this Act.

SEC. 513. NOTICE TO LEGISLATIVE COMMITTEES.—When any transfer is made under section 105 (d) or section 501, or any other action is taken under this Act which will result in furnishing assistance of a kind, for a purpose, or to an area, substantially different from that included in the presentation to the Congress during its consideration of this Act, or which will result in expenditures greater by 50 per centum or more than the proposed expenditures included in such presentation for the program concerned, the President or such officer as he may designate shall promptly notify the Committee on Foreign Relations of the Senate, the Committee on Foreign Affairs of the House of Representatives and, when military assistance is involved, the Committees on Armed Services of the Senate and House of Representatives, stating the justification for such change. Notice shall also be given to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives of any determination under the first sentence of section 401 (except with respect to unvouchered funds), and copies of any certification as to loyalty under section 531 shall be filed with such committees.

SEC. 514. INTERNATIONAL EDUCATIONAL EXCHANGE ACTIVITIES.—Foreign currencies or credits owed to or owned by the United States, where arising from this Act or otherwise, shall, upon a request from the Secretary of State certifying that such funds are required for the purpose of international educational exchange activities under programs authorized by section 32 (b) (2) of the Surplus Property Act of 1944, as amended, be reserved by the Secretary of the Treasury for sale to the Department of State for such activities on the basis of the dollar value at the time of the reservation.

CHAPTER 2. ORGANIZATION AND ADMINISTRATION

SEC. 521. DELEGATION OF AUTHORITY BY THE PRESIDENT.—(a) Except as provided in subsection (b), the President may exercise any power or authority conferred on him by this Act through such agency or officer of the United States as he shall direct, and the head of such agency or such officer may from time to time promulgate such rules and regulations as may be necessary and proper to carry out functions under this Act and may delegate authority to perform any of such functions to his subordinates acting under his direction.

(b) After June 30, 1955, the President shall exercise the powers conferred upon him under title III of this Act through the Secretary of State.

SEC. 522. ALLOCATION AND REIMBURSEMENT AMONG AGENCIES.—

(a) The President may allocate or transfer to any United States Government agency any part of any funds available for carrying out the purposes of this Act, including any advance to the United States by any nation or international organization for the procurement of equipment or materials or services. Such funds shall be available for obligation and expenditure for the purposes for which authorized, in accordance with authority granted in this Act or under authority governing the activities of the Government agencies to which such funds are allocated or transferred. Funds allocated to the Department of Defense shall be governed as to reimbursement by the procedures of subsection (c) of this section.

(b) Any officer of the United States performing functions under this Act may utilize the services and facilities of, or procure commodities from, any United States Government agency as the President shall direct, or with the consent of the head of such agency, and funds allocated pursuant to this subsection to any such agency may be established in separate appropriation accounts on the books of the Treasury.

(c) Reimbursement shall be made to any United States Government agency, from funds available to carry out chapter 1 of title I of this Act, for any assistance furnished under that chapter from, by, or through such agency. Such reimbursement shall be in an amount equal to the value (as defined in section 545) of the equipment and materials, services (other than salaries of members of the Armed Forces of the United States), or other assistance furnished, plus expenses arising from or incident to operations under that chapter. The amount of any such reimbursement shall be credited as reimbursable receipts to current applicable appropriations, funds, or accounts of such agency and shall be available for, and under the authority applicable to, the purposes for which such appropriations, funds, or accounts are authorized to be used, including the procurement of equipment and materials or services, required by such agency, in the same general category as those furnished by it or authorized to be procured by it and expenses arising from and incident to such procurement.

(d) In the case of any commodity, service, or facility, procured from any United States Government agency under any provision of this Act other than chapter 1 of title I, reimbursement or payment shall be made to such agency from funds available to carry out such provision. Such reimbursement or payment shall be at replacement cost, or, if required by law, at actual cost, or at any other price authorized by law and agreed to by the owning or disposal agency. The amount of any such reimbursement or payment shall be credited to current applicable appropriations, funds, or accounts from which there may be procured replacements of similar commodities, services, or facilities, except that where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning agency determines that such replacement is not necessary, any funds received in payment therefor shall be covered into the Treasury as miscellaneous receipts.

(e) In furnishing assistance under this Act and in making surplus agricultural commodities available under section 402 accounts may be established on the books of any United States Government agency

or, on terms and conditions approved by the Secretary of the Treasury, in banking institutions in the United States, against which (i) letters of commitment may be issued which shall constitute obligations of the United States, and moneys due or to become due under such letters of commitment shall be assignable under the Assignment of Claims Act of 1940, as amended, and (ii) withdrawals may be made by recipient nations or agencies, organizations or persons upon presentation of contracts, invoices, or other appropriate documentation. Expenditure of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditure of Government funds: *Provided*, That such expenditures for commodities or services procured outside the continental limits of the United States may be accounted for exclusively on such certification as may be prescribed in regulations approved by the Comptroller General of the United States.

SEC. 523. COORDINATION WITH FOREIGN POLICY.—(a) Nothing contained in this Act shall be construed to infringe upon the powers or functions of the Secretary of State.

(b) The President shall prescribe appropriate procedures to assure coordination among representatives of the United States Government in each country, under the leadership of the Chief of the United States Diplomatic Mission.

SEC. 524. THE SECRETARY OF DEFENSE.—(a) In the case of aid under chapter 1 of title I of this Act, the Secretary of Defense shall have primary responsibility for—

- (1) the determination of military end-item requirements;
- (2) the procurement of military equipment in a manner which permits its integration with service programs;
- (3) the supervision of [end-items used] *end-item use* by the recipient countries;
- (4) the supervision of the training of foreign military personnel;
- (5) the movement and delivery of military end-items; and
- (6) within the Department of Defense, the performance of any other functions with respect to the furnishing of military assistance.

(b) The establishment of priorities in the procurement, delivery, and allocation of military equipment shall be determined by the Secretary of Defense. The determination of the value of the program for any country under chapter 1 of title I shall be made by the President.

SEC. 525. FOREIGN OPERATIONS ADMINISTRATION.—Except as modified pursuant to this section or section 521, the Director of the Foreign Operations Administration (referred to in this chapter as the "Director") shall continue to perform the functions vested in him on the effective date of this Act, except insofar as such functions relate to continuous supervision and general direction of programs of military assistance. The President may transfer to any agency or officer of the United States, and may modify or abolish, any function, office, or entity of the Foreign Operations Administration (*including any function, office or entity thereof transferred to any other agency*) or any officer or employee thereof, and may transfer such personnel, property, records, and funds as may be necessary incident thereto: *Provided*, That such authority conferred by this sentence shall be exercised

in accordance with applicable laws and regulations relating to the Civil Service and Veterans' Preference.

SEC. 526. MISSIONS AND STAFFS ABROAD.—The President may maintain special missions or staffs abroad in such nations and for such periods of time as may be necessary to carry out this Act. Each such special mission or staff shall be under the direction of a chief. The chief and his deputy shall be appointed by the President and may, notwithstanding any other law, be removed by the President at his discretion. The chief shall be entitled to receive (1) in cases approved by the President, the same compensation and allowances as a chief of mission, class 3, or a chief of mission, class 4, within the meaning of the Foreign Service Act of 1946 (22 U. S. C. 801), or (2) compensation and allowances in accordance with section 527 (c) of this Act, as the President shall determine to be appropriate. *If a Foreign Service Officer shall be appointed by the President to a position under this section, the period of his service in such capacity shall be considered as constituting an assignment for duty within the meaning of section 571 of the Foreign Service Act of 1946, as amended, and such person shall not, by virtue of his acceptance of such an assignment, lose his status as a Foreign Service Officer.*

SEC. 527. EMPLOYMENT OF PERSONNEL.—(a) Any United States Government agency performing functions under this Act is authorized to employ such personnel as the President deems necessary to carry out the provisions and purposes of this Act.

(b) Of the personnel employed in the United States on programs authorized by this Act, not to exceed sixty may be compensated without regard to the provisions of the Classification Act of 1949, as amended, of whom not to exceed thirty-five may be compensated at rates higher than those provided for grade 15 of the general schedule established by the Classification Act of 1949, as amended, and of these, not to exceed fifteen may be compensated at a rate in excess of the highest rate provided for grades of such general schedule but not in excess of \$15,000 per annum. Such positions shall be in addition to those authorized by law to be filled by Presidential appointment, and in addition to the number authorized by section 505 of the Classification Act of 1949, as amended.

(c) For the purpose of performing functions under this Act outside the continental limits of the United States, the Director may—

(1) employ or assign persons, or authorize the employment or assignment of officers or employees of other United States Government agencies, who shall receive compensation at any of the rates provided for the Foreign Service Reserve and Staff by the Foreign Service Act of 1946, as amended (22 U. S. C. 801), together with allowances and benefits established thereunder including, in all cases, post differentials prescribed under section 443 of the Foreign Service Act; and persons so employed or assigned shall be entitled to the same benefits as are provided by section 528 of the Foreign Service Act for persons appointed to the Foreign Service Reserve and, except for policy-making officials, the provisions of section 1005 of the Foreign Service Act shall apply in the case of such persons; and

(2) utilize such authority, including authority to appoint and assign personnel for the duration of operations under this Act, contained in the Foreign Service Act of 1946, as amended (22

U. S. C. 801), as the President deems necessary to carry out functions under this Act. Such provisions of the Foreign Service Act as the President deems appropriate shall apply to personnel appointed or assigned under this paragraph, including, in all cases, the provisions of sections 443 and 528 of that Act.

(d) For the purpose of performing functions under this Act outside the continental limits of the United States, the Secretary of State may, at the request of the Director, appoint for the duration of operations under this Act alien clerks and employees in accordance with applicable provisions of the Foreign Service Act of 1946, as amended (22 U. S. C. 801).

SEC. 528. DETAIL OF PERSONNEL TO FOREIGN GOVERNMENTS.—(a) Whenever the President determines it to be consistent with and in furtherance of the purposes of this Act, the head of any United States Government agency is authorized to detail or assign any officer or employee of his agency to any office or position to which no compensation is attached with any foreign government or foreign government agency: *Provided*, That such acceptance of office shall in no case involve the taking of an oath of allegiance to another government.

(b) Any such officer or employee, while so assigned or detailed, shall be considered, for the purpose of preserving his privileges, rights, seniority, or other benefits as such, an officer or employee of the Government of the United States and of the Government agency from which assigned or detailed, and he shall continue to receive compensation, allowances, and benefits from funds available to that agency or made available to that agency out of funds authorized under this Act.

SEC. 529. DETAIL OF PERSONNEL TO INTERNATIONAL ORGANIZATIONS.—(a) Whenever the President determines it to be consistent with and in furtherance of the purposes of this Act, the head of any United States Government agency is authorized to detail, assign, or otherwise make available to any international organization any officer or employee of his agency to serve with or as a member of the international staff of such organization, or to render any technical, scientific or professional advice or service to or in cooperation with such organization.

(b) Any such officer or employee, while so assigned or detailed, shall be considered, for the purpose of preserving his allowances, privileges, rights, seniority and other benefits as such, an officer or employee of the Government of the United States and of the Government agency from which detailed or assigned, and he shall continue to receive compensation, allowances, and benefits from funds available to that agency or made available to that agency out of funds authorized under this Act. He may also receive, under such regulations as the President may prescribe, representation allowances similar to those allowed under section 901 of the Foreign Service Act of 1946, as amended (22 U. S. C. 801). The authorization of such allowances and other benefits and the payment thereof out of any appropriations available therefor shall be considered as meeting all the requirements of section 1765 of the Revised Statutes.

(c) Details or assignments may be made under this section—

(1) without reimbursement to the United States by the international organization;

(2) upon agreement by the international organization to reimburse the United States for compensation, travel expenses,

and allowances, or any part thereof, payable to such officer or employee during the period of assignment or detail in accordance with subsection (b) of this section; and such reimbursement shall be credited to the appropriation, fund, or account utilized for paying such compensation, travel expenses, or allowances, or to the appropriation, fund, or account currently available for such purposes;

(3) upon an advance of funds, property, or services to the United States accepted with the approval of the President for specified uses in furtherance of the purposes of this Act; and funds so advanced may be established as a separate fund in the Treasury of the United States, to be available for the specified uses, and to be used for reimbursement of appropriations or direct expenditure subject to the provisions of this Act, any unexpended balance of such account to be returned to the international organization; or

(4) subject to the receipt by the United States of a credit to be applied against the payment by the United States of its share of the expenses of the international organization to which the officer or employee is detailed, such credit to be based upon the compensation, travel expenses and allowances, or any part thereof, payable to such officer or employee during the period of assignment or detail in accordance with subsection (b) of this section.

SEC. 530. EXPERTS AND CONSULTANTS OR ORGANIZATIONS THEREOF.—(a) Experts and consultants or organizations thereof, as authorized by section 15 of the Act of August 2, 1946 (5 U. S. C. 55a), may be employed by any United States Government agency for the performance of functions under this Act, and individuals so employed may be compensated at rates not in excess of \$75 per diem, and while away from their homes or regular places of business, they may be paid actual travel expenses and per diem in lieu of subsistence and other expenses at a rate not to exceed \$10 or at the applicable rate prescribed in the Standardized Government Travel Regulations, as amended from time to time, whichever is higher, while so employed within the continental limits of the United States and at the applicable rate prescribed in the Standardized Government Travel Regulations (Foreign Areas) while so employed outside the continental limits of the United States.

(b) Persons of outstanding experience and ability may be employed without compensation by any United States Government agency for the performance of functions under this Act in accordance with the provisions of section 710 (b) of the Defense Production Act of 1950, as amended (50 U. S. C. App. 2160), and regulations issued thereunder.

SEC. 531. SECURITY CLEARANCE.—No citizen or resident of the United States may be employed, or if already employed, may be assigned to duties by the Director under this Act for a period to exceed three months unless —

(a) such individual has been investigated as to loyalty and security by the Civil Service Commission, or by the Federal Bureau of Investigation in the case of specific positions which have been certified by the Director as being of a high degree of importance or sensitivity or in case the Civil Service Commission investigation develops data reflecting that the individual is of questionable loyalty, and a report thereon has been made to the Director, and until the Director has certified in writing (and filed

copies thereof with the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs) that, after full consideration of such report, he believes such individual is loyal to the United States, its Constitution, and form of government, and is not now and has never knowingly been a member of any organization advocating contrary views; or

(b) such individual has been investigated by a military intelligence agency and the Secretary of Defense has certified in writing that he believes such individual is loyal to the United States and filed copies thereof with the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs.

This section shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate, nor shall it apply in the case of any person already employed under programs covered by this Act who has been previously investigated in connection with such employment.

SEC. 532. EXEMPTION OF PERSONNEL FROM CERTAIN FEDERAL LAWS.—(a) Service of an individual as a member of the Board established pursuant to section 308 of this Act or as an expert or consultant under section 530 (a) shall not be considered as service or employment bringing such individual within the provisions of title 18, U. S. C., section 281, 283 or 284, or of section 190 of the Revised Statutes (5 U. S. C. 99), or of any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States, except insofar as such provisions of law may prohibit any such individual from receiving compensation in respect of any particular matter in which such individual was directly involved in the performance of such service; nor shall such service be considered as employment or holding of office or position bringing such individual within the provisions of section 6 of the Act of May 22, 1920, as amended (5 U. S. C. 715), section 212 of the Act of June 30, 1932, as amended (5 U. S. C. 59a), or any other Federal law limiting the reenployment of retired officers or employees or governing the simultaneous receipt of compensation and retired pay or annuities.

(b) Notwithstanding section 2 of the Act of July 31, 1894 (5 U. S. C. 62), which prohibits certain retired officers from holding certain office, any retired officer of any of the services mentioned in the Career Compensation Act of 1949 may hold any office or appointment under this Act or the Mutual Defense Assistance Control Act of 1951, but the compensation of any such retired officer shall be subject to the provisions of the Act of June 30, 1932 (5 U. S. C. 59a), which does not permit retired pay to be added to the compensation received as a civilian officer.

SEC. 533. WAIVERS OF CERTAIN FEDERAL LAWS.—Whenever the President determines it to be in furtherance of purposes declared in this Act, the functions authorized under this Act may be performed without regard to such provisions of law (other than the Renegotiation Act of 1951, as amended) regulating the making, performance, amendment, or modification of contracts and the expenditure of Government funds as the President may specify.

SEC. 534. REPORTS.—The President, from time to time while funds appropriated for the purpose of this Act continue to be available for

obligation, shall transmit to the Congress reports covering each six months of operations, in furtherance of the purposes of this Act, except information the disclosure of which he deems incompatible with the security of the United States. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session. Such reports shall include detailed information on the implementation of [sections 504 and 413 (b)] *sections 504, 413 (b), and 418* of this Act.

SEC. 535. COOPERATION WITH INTERNATIONAL ORGANIZATIONS.—

(a) The President is authorized to request the cooperation of or the use of the services and facilities of the United Nations, its organs and specialized agencies, or other international organizations, in carrying out the purposes of this Act, and may make payments by advancements or reimbursements, for such purposes, out of funds made available for the purposes of this Act, as may be necessary therefor, to the extent that special compensation is usually required for such services and facilities: *Provided*, That nothing in this section shall be construed to authorize the delegation to any international or foreign organization or agency of authority to decide the method of furnishing assistance under this Act to any country or the amount thereof.

(b) Whenever the President determines it to be in furtherance of the purposes of this Act, United States Government agencies, on request of international organizations, are authorized to furnish supplies, materials, and services, on an advance of funds or reimbursement basis, to such organizations. Such advances or reimbursements may be credited to the current applicable appropriation or fund of the agency concerned and shall be available for the purposes for which such appropriations and funds are authorized to be used.

SEC. 536. JOINT COMMISSION ON RURAL RECONSTRUCTION IN CHINA.—The President is authorized to continue to participate in the Joint Commission on Rural Reconstruction in China and to appoint citizens of the United States to the Commission.

CHAPTER 3. REPEAL AND MISCELLANEOUS PROVISIONS

SEC. 541. EFFECTIVE DATE.—This Act shall take effect on the date of its enactment.

SEC. 542. STATUTES REPEALED.—(a) There are hereby repealed—

(1) an Act to provide for assistance to Greece and Turkey, approved May 22, 1947, as amended;

(2) the joint resolution to provide for relief assistance to the people of countries devastated by war, approved May 31, 1947, as amended;

(3) the Foreign Aid Act of 1947;

(4) the Foreign Assistance Act of 1948, as amended; including The Economic Cooperation Act of 1948, as amended, the International Children's Emergency Fund Assistance Act of 1948, as amended, the Greek-Turkish Assistance Act of 1948, and the China Aid Act of 1948, as amended;

(5) the Mutual Defense Assistance Act of 1949, as amended;

(6) the Foreign Economic Assistance Act of 1950, as amended; including the Economic Cooperation Act of 1950, the China Area

Aid Act of 1950, as amended, the United Nations Palestine Refugee Aid Act of 1950, and the Act for International Development, as amended;

(7) the Far Eastern Economic Assistance Act of 1950, as amended;

(8) the Yugoslav Emergency Relief Assistance Act of 1950;

(9) the Mutual Security Act of 1951, as amended;

(10) the Mutual Security Act of 1952;

(11) the Mutual Security Act of 1953;

(12) section 12 of the joint resolution of Congress approved November 4, 1939 (54 Stat. 10; 22 U. S. C. 452);

(13) section 4 of the Act of March 3, 1925 (50 Stat. 887; 50 U. S. C. 165); and

(14) section 968 of title 18, United States Code.

(b) References in other Acts to the Acts listed in subsection (a) shall hereafter be considered to be references to the appropriate provisions of this Act.

(c) The repeal of the Acts listed in subsection (a) shall not be deemed to affect amendments contained in such Acts to Acts not named in subsection (a).

SEC. 543. SAVING PROVISIONS.—

(a) Except as may be expressly provided to the contrary in this Act, all determinations, authorizations, regulations, orders, contracts, agreements, and other actions issued, undertaken or entered into under authority of any provision of law repealed by section 542 shall continue in full force and effect until modified by appropriate authority.

(b) Where provisions of this Act establish conditions which must be complied with before use may be made of authority contained in or funds authorized by this Act, compliance with substantially similar conditions under Acts named in section 542 shall be deemed to constitute compliance with the conditions established by this Act.

(c) No person in the service or employment of the United States or otherwise performing functions under an Act repealed by section 542 or under section 408 shall be required to be reappointed or re-employed by reason of the entry into force of this Act, except that appointments made pursuant to section 110 (a) (2) of the Economic Cooperation Act of 1948, as amended, shall be converted to appointments under section 527 (c) of this Act.

SEC. 544. AMENDMENTS TO OTHER LAWS.—(a) Title X of the United States Information and Educational Exchange Act of 1948, as amended (22 U. S. C. 1431), is amended by adding the following new section:

“INFORMATIONAL MEDIA GUARANTIES

“SEC. 1011. The Director of the United States Information Agency may make guaranties, in accordance with the provisions of subsection (b) of section 413 of the Mutual Security Act of 1954, of investments in enterprises producing or distributing informational media consistent with the national interests of the United States against funds heretofore made available by notes issued to the Secretary of the Treasury pursuant to section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, for purposes of guaranties of investments: *Provided, however,* That the amount of such guaranties in

any fiscal year shall be determined by the President but shall not exceed \$10,000,000."

(b) Section 1 of Public Law 283, Eighty-first Congress, is repealed. The Institute of Inter-American Affairs, created pursuant to Public Law 369, Eightieth Congress (22 U. S. C. 281), shall have succession until June 30, 1960, and may make contracts for periods not to exceed five years: *Provided*, That any contract extending beyond June 30, 1960, shall be made subject to termination by the said Institute upon notice: *And provided further*, That the said Institute shall, on and after July 1, 1954, be subject to the applicable provisions of the Budget and Accounting Act, 1921, as amended (31 U. S. C. 1), in lieu of the provisions of the Government Corporation Control Act, as amended (31 U. S. C. 841).

SEC. 545. DEFINITIONS.—For the purposes of this Act—

(a) The term "commodity" includes any commodity, material, article, supply, or goods.

(b) The term "surplus agricultural commodity" means any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the United States either publicly or privately owned, which is in excess of domestic requirements, adequate carryover, and anticipated exports for dollars, as determined by the Secretary of Agriculture.

(c) The terms "equipment" and "materials" shall mean any arms, ammunition, or implements of war, or any other type of material, article, raw material, facility, tool, machine, supply or item that would further the purpose of chapter 1 of title I, or any component or part thereof, used or required for use in connection therewith, or required in or for the manufacture, production, processing, storage, transportation, repair, or rehabilitation of any equipment or materials, but shall not include merchant vessels.

(d) The term "mobilization reserve", as used with respect to any equipment or materials, means the quantity of such equipment or materials determined by the Secretary of Defense under regulations prescribed by the President to be required to support mobilization of the Armed Forces of the United States in the event of war or national emergency until such time as adequate additional quantities of such equipment or materials can be procured.

(e) The term "excess", as used with respect to any equipment or materials, means the quantity of such equipment or materials owned by the United States which is in excess of the mobilization reserve of such equipment or materials.

(f) The term "services" shall include any service, repair, training of personnel, or technical or other assistance or information necessary to effectuate the purposes of this Act.

(g) The term "Armed Forces of the United States" shall include any component of the Army of the United States, of the United States Navy, of the United States Marine Corps, of the Air Force of the United States, of the United States Coast Guard, and the Reserve components thereof.

(h) The term "value" means—

(1) with respect to any excess equipment or materials furnished under chapter 1, of title I, the gross cost of repairing, rehabilitating, or modifying such equipment or materials prior to being so furnished;

(2) with respect to any nonexcess equipment or materials furnished under chapter 1 of title I which are taken from the mobilization reserve (other than equipment or materials referred to in paragraph (3) of this subsection), the actual or the projected (computed as accurately as practicable) cost of procuring for the mobilization reserve an equal quantity of such equipment or materials or an equivalent quantity of equipment or materials of the same general type but deemed to be more desirable for inclusion in the mobilization reserve than the equipment or materials furnished;

(3) with respect to any nonexcess equipment or materials furnished under chapter 1 of title I which are taken from the mobilization reserve but with respect to which the Secretary of Defense has certified that it is not necessary fully to replace such equipment or materials in the mobilization reserve, the gross cost to the United States of such equipment and materials or its replacement cost, whichever the Secretary of Defense may specify; and

(4) with respect to any equipment or materials furnished under chapter 1 of title I which are procured for the purpose of being so furnished, the gross cost to the United States of such equipment and materials.

In determining the gross cost incurred by any agency in repairing, rehabilitating, or modifying any excess equipment furnished under chapter 1 of title I, all parts, accessories, or other materials used in the course of repair, rehabilitation, or modification shall be priced in accordance with the current standard pricing policies of such agency. For the purpose of this subsection, the gross cost of any equipment or materials taken from the mobilization reserve means either the actual gross cost to the United States of that particular equipment or materials or the estimated gross cost to the United States of that particular equipment or materials obtained by multiplying the number of units of such particular equipment or materials by the average gross cost of each unit of that equipment and materials owned by the furnishing agency.

(i) The term "United States Government agency" means any department, agency, board, wholly or partly owned corporation, or instrumentality, commission, or establishment of the United States Government.

SEC. 546. CONSTRUCTION.—(a) If any provision of this Act or the application of any provision to any circumstances or persons shall be held invalid, the validity of the remainder of the Act and applicability of such provision to other circumstances or persons shall not be affected thereby.

(b) Nothing in this Act shall alter, amend, revoke, repeal, or otherwise affect the provisions of the Atomic Energy Act of 1946, as amended (42 U. S. C. 1801).

(c) Nothing in this Act is intended nor shall it be construed as an expressed or implied commitment to provide any specific assistance, whether of funds, commodities, or services, to any nation or nations, or to any international organization.

SEC. 547. REDUCTION OF AUTHORIZATIONS.—Notwithstanding the foregoing provisions of this Act, such provisions shall not be construed to authorize the appropriation for the fiscal year 1955, for the pur-

poses of titles I, II, and IV of this Act, of amounts (exclusive of unexpended balances of prior appropriations authorized to be continued available under such provisions) aggregating in excess of \$2,918,040,000.

SEC. 548. UNEXPENDED BALANCES.—*Unexpended balances of funds heretofore made available under authority of this Act are hereby authorized to be continued available for the general purposes for which appropriated; and may be consolidated with appropriations made available beginning in fiscal year 1956 for the same general purposes under the authority of this Act: Provided, however, That unexpended balances in excess of \$200,000,000 not obligated by June 30, 1955, in accordance with the provisions of section 1311 of the Supplemental Appropriation Act, 1955 (Public Law 663, Eighty-third Congress), or reserved in accordance with the provisions of section 110 of the Mutual Security Appropriation Act, 1955 (Public Law 778, Eighty-third Congress), are not authorized to be continued available after such date.*

SEC. 549. STATEMENT OF CONGRESSIONAL POLICY.—*It is the sense of the Congress that inasmuch as—*

(1) the United States, through mutual security programs, has made substantial contributions to the economic recovery and rehabilitation of the nations of western Europe;

(2) due in part to those programs, it has been possible for such nations to achieve complete economic recovery and to regain their military strength; and

(3) certain other friendly nations of the world remain in need of assistance in order that they may defend themselves against aggression and contribute to the security of the free world, those nations that have been assisted in their recovery should, in the future, share with the United States the financial burden of providing aid to those countries which are still in need of assistance of the type provided under this Act.

ADDITIONAL VIEWS ON LOANS

Everyone agrees that our foreign aid should not be a mere "give-away" program; that we should plan to get value received in one way or another, for whatever we do. There is general theoretical agreement with the proposal that our economic aid program should emphasize loans rather than grants, wherever possible. There is disagreement as to the best way to carry this out in practice.

I believe that the best way is to have Congress provide minimum loan requirements in authorizing foreign aid.

Experience shows that otherwise the tendency will be to make grants, not loans, in administration. It is argued that a percentage limitation militates against the placement of a greater percentage of loans. The record does not sustain this argument, for wherever loans have been permitted but not required, few or none have been made. It is said that a percentage figure is interpreted by would-be recipients as a maximum loan figure, rather than a minimum. If our officials accept the interpretation of our laws made by other countries, rather than their own, Congress can correct this. If a minimum percentage figure is inconvenient administratively, a minimum fixed amount can be used. Both types of minimum requirements were made by Congress last year. A 30-percent requirement in title II (sec. 201) on development assistance, and an overall requirement of not less than \$200 million in loans (sec. 505). Neither of these requirements will apply to the amounts authorized in the committee bill this year. There is a requirement that 50 percent of the new \$200 million Asian development fund, be in loans (sec. 4187). This year's bill authorizes more economic aid than last year's appropriation. Thus, as economic aid goes up, required loans go down. I believe this tendency should be reversed.

THE RANDALL COMMISSION

My recommendations follow those of the Randall Commission, of which I was a member. This Commission studied and reported on the general possibilities of "Trade, Not Aid," and recommended that trade be increased, and economic aid decreased. Its recommendations as to trade have been generally accepted and acted upon by the administration and Congress. Its recommendations as to aid have apparently been forgotten.

The Randall report said:

The Commission recommends that economic aid on a grant basis should be terminated as soon as possible.

In cases where our security is importantly involved, the Commission believes that moderate grants-in-aid may serve the national interest of the United States.

The Commission recommends further that where support is needed to maintain military forces to conduct military operations connected with our own security beyond the economic capacity of a country to sustain, grants should be made, not loans. In other cases where substantial economic aid is necessary in the interest of the United States but cannot be obtained from private or international sources, loans should be made, not grants.

The President endorsed these recommendations of the Randall Commission in his message to the Congress on foreign economic policy of the United States last year, as follows:

I subscribe, therefore, to the principle that economic aid on a grant basis should be terminated as soon as possible, consistent with our national interest. In cases where support is needed to establish and equip military forces of other governments in the interest of our mutual defense, and where this is beyond the economic capacity of another country, our aid should be in the form of grants. As recognized by the Commission, there may be some cases in which modest amounts of grant aid to underdeveloped countries will importantly serve the interest of security. I further agree that in other situations where the interest of the United States requires that dollars not otherwise available to a country should be provided, such support to the maximum extent appropriate should be in the form of loans rather than grants.

GOVERNMENT FOREIGN LOANS

It is often said that Government loans are the same as gifts, that they are never repaid, and always create hard feelings. Our postwar experience does not bear this out. Here is the record, according to Department of Commerce figures:

Postwar loans by the United States to foreign countries

Total credits.....	\$14, 147, 769, 000
Total principal collected.....	3, 176, 216, 000
Total interest collected.....	1, 331, 284, 000
Total.....	4, 507, 500, 000

Congress has required a series of loans in aid bills, largely through provisions originating in our committee. All of them were opposed by the executive branch. None of them were refused by the executive branch. All of the loans were accepted in other countries. None of the loans have been defaulted by any government. None of them have caused hard feelings.

Here is the series:

Loans required under ECA, MSA, and India wheat loan

Original ECA Act (Public Law 472, 80th Cong.).....	\$1, 000, 000, 000
Loan to Spain (Public Law 759, 81st Cong.).....	62, 500, 000
India Emergency Food Act of 1951 (Public Law 48, 82d Cong.).....	190, 000, 000
Mutual Security Act of 1951 (Public Law 165, 82d Cong.) (10 percent of ECA assistance).....	335, 547, 000
Mutual Security Act of 1954 (Public Law 665, 83d Cong.).....	1 200, 000, 000
Total.....	1, 788, 047, 000

¹ Loans of \$194,500,000 have already been made under this requirement. Negotiations now in progress are expected to bring the total to the required amount.

Here is the status of the loans under the mutual security program as of December 31, 1954:

	Amount authorized	Interest collected	Principal repaid
Asia and Pacific.....	\$16, 500, 000	\$375, 000	-----
Europe.....	1, 419, 047, 000	70, 897, 000	\$278, 000
Indian wheat.....	190, 000, 000	11, 769, 000	-----
Spanish loan.....	62, 476, 000	3, 045, 000	-----
Deficiency materials.....	177, 201, 000	4, 642, 000	24, 631, 000
Total.....	1, 865, 224, 000	90, 728, 000	24, 909, 000

In 1948, when Congress enacted the first of the above loan requirements, by requiring \$1 billion of the Marshall plan money to be in loans, there were executive protests. We were told that these were "fuzzy" loans, Europe was "all loaned up," and that these aid loans would overburden the economies of the recipient countries. Now that Europe has recovered so phenomenally with Marshall plan help, does anyone hear complaints that recovery was delayed by these loans? Is anyone claiming that these loans will never be repaid?

Last year, the executive position was that only \$100 million of the program should be in loans. Congress required \$255,350,000 (i. e., \$200 million overall plus 30 percent of development assistance). The required minimums have all been loaned. No one is claiming that this crippled the program.

PROSPECT OF REPAYMENT

The above record, showing over \$4.5 billion collected on postwar loans, including over \$115 million on aid loans, would indicate that there is considerable prospect of repayment of these loans.

The Hoover Commission, in its report to Congress in May on overseas economic operations, said (recommendation 2 (f)):

Wherever assistance is necessary and there is *no prospect of repayment* of a loan the assistance should be in the form of an outright grant. [Italic mine.]

There will be general agreement on this, but who decides whether there is "prospect for repayment"? Bankers? Must aid loans be "bankable" loans?

In this country our Government has loaned billions to its citizens on projects that were not bankable. During the depression thousands of homes, farms, and businesses were saved in this way and the loans have been repaid, although "prospects for repayment" looked dim for a while.

The policy of making foreign-aid loans was first suggested to me by remarks of former President Hoover in 1947, after he had finished his survey of relief needs for President Truman. He urged that we should not make outright gifts of our aid, but should always require an obligation from the recipient. He first suggested the counterpart device, which was written into a relief bill on the floor, over administration opposition, and has been extremely useful ever since. As to loans, he pointed out that, even though "prospect for repayment" was not bright, there were two great psychological differences between loans and grants: First, a person asking for a loan tries to make his proposition as good as possible, but someone asking for a grant tries to make his condition look as bad as possible, so he will not be asked to repay; second, a person asking for a loan knows that he might have to repay it, and therefore asks for as little as possible, whereas someone asking for a grant asks for as much as possible.

Experience since then has shown that this same psychology applies to nations, and that nations, like individuals, tend to repay nonbankable loans.

DEVELOPMENT ASSISTANCE

In recent years we have started a new type of assistance, which is not relief, not military aid, not for war recovery, not mere technical

assistance. Development assistance means substantial economic aid to nations with which we have no mutual security agreements. Congress provided last year that 30 percent of such assistance should be in loans, and should end on June 30, 1955. Instead of winding up, \$382 million of such assistance is in this bill as follows: In title II, section 201, development assistance, \$182 million; in title IV, section 418, President's fund for Asian development, \$200 million.

The definition of "development assistance" is broad, the limitations are few, but, in general, the idea is that we help undeveloped countries to develop as free countries, raise their standards of living, develop their resources. They have among their resources vast amounts of critical and strategic materials.

On the other hand, we are rapidly becoming a have-not country in natural resources, especially in critical or strategic materials, as shown time and again in our hearings this year.

If we furnish development assistance in loans repayable, not next year but over 10, 20, or 30 years, we will be helping these countries when they need help, and they can pay us back when we need help, in raw materials from the resources we helped them develop.

Amendments will be offered in accordance with these views.

I understand that other members of the committee share these views, but there was insufficient time to obtain their signatures.

JOHN M. VORYS.

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